

Franchising: The Entrepreneurial Paradox

by

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ABSTRACT

Despite the role franchising has played in global wealth creation, it has only recently received attention in the entrepreneurship literature, and many ambiguities revolve around the relationship between entrepreneurship and the franchise concept. For example, although the role of an entrepreneur is commonly associated with the franchisor, there is considerable debate amongst academics and practitioners over whether operating as a franchisee represents a 'true' form of entrepreneurship. Franchising is often 'sold' as an opportunity to own your own business but it is claimed that franchisors seek replication and conformity from their franchisees, and not innovation and creativity, which are at the heart of entrepreneurship. Furthermore, in spite of the franchisee's pursuit of entrepreneurial independence, it is generally believed that there are high levels of control in the franchising relationship, which leaves little or no room for entrepreneurial activity by franchisees. For these, and a variety of other reasons, franchising is widely assumed to be the antithesis of entrepreneurship, and much of this general assumption could be attributed to the fact that the franchise concept is built on replication of a format and uniformity across the system.

This thesis aimed to further understanding of the relationship between entrepreneurship and the franchise concept by examining whether franchising is really entrepreneurial. In order to address this research question, the study utilised a three-staged contextual stepwise approach. Stage one involved qualitative research (a preliminary focus group with academic experts) to explore the research topic and to identify the issues that would be addressed in the study. Stage two involved quantitative research (follow-up questionnaire surveys with franchisors and franchisees) to test the hypotheses and to identify the substantive context. Stage three involved qualitative research (case studies with franchisees) to provide in-depth knowledge and understanding of the issues.

The research findings revealed several results that were inconsistent with the view that franchising is the direct opposite of entrepreneurship. When considered from both the franchisor's and franchisee's perspectives, franchising appears to be a highly entrepreneurial endeavour. It was observed that entrepreneurial traits and behaviours were not only restricted to franchisors. Franchisees also possess above-average entrepreneurial tendencies when assessed with the Durham University General Enterprising Tendency test. In addition, there were no statistically significant differences between the entrepreneurial tendencies of franchisors and franchisees, suggesting that franchisors are not significantly more entrepreneurial than franchisees as is usually assumed. The research findings also demonstrated that franchisees display entrepreneurial behaviours by undertaking three distinct dimensions of entrepreneurship: new business venturing, innovativeness, and proactiveness.

Furthermore, the results of the study improve understanding of the antecedents and effects of entrepreneurial activities within franchised outlets. The findings suggested that the following sets of antecedents are associated with the entrepreneurial behaviours of franchisees: the franchisees' psychological characteristics/

entrepreneurial traits, franchise systems' organisational values, as well as industry sectors. With regards to the franchisees' entrepreneurial traits, the following *psychological characteristics* have a positive and statistically significant effect on the entrepreneurial behaviours of franchisees: franchisees' total entrepreneurial tendencies; in particular, their need for achievement, need for autonomy/ independence, and internal locus of control. In terms of the *franchise systems' organisational values*, the following organisational antecedents appear to influence entrepreneurship within franchised outlets: granting franchisees autonomy in the form of operational independence and flexibility; establishing open channels of communication for information sharing among franchisees; instituting formal forums for discussion, generation, and dissemination of new ideas; having organisational values that are competition centered; and above all, having organisational and management support system for promoting entrepreneurial activity. With regards to *industry sectors*, the findings revealed that franchisees within the following sectors may have greater inclinations to display entrepreneurial behaviours/ engage in entrepreneurial activities: 'Estate Agents, Business Transfer Agents, Financial Services and Mortgage Brokers'. On the other hand, franchisees within the 'Commercial Services' sector may have less inclinations to display entrepreneurial behaviours/ engage in entrepreneurial activities. Also, the outcomes of franchisees' entrepreneurial activities include the generation of more income, new businesses (customers), new knowledge, and business growth. These findings shed some light on the factors that influence the entrepreneurial behaviours of franchisees, as well as the consequences of their entrepreneurial activities.

In general, the findings presented in this thesis oppose the common belief that franchisors generally seek conformity and uniformity amongst their franchisees, and contribute to a better understanding of entrepreneurial activities within franchise systems.

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PART I: INTRODUCTION

Chapter 1

Introduction

1.1 Background of the Study

Franchising has emerged in recent years as a highly significant strategy for business growth, job creation and economic development (Hoffman and Preble, 1991; Falbe *et al.*, 1998). For example, in the U.S. alone, there are more than 760,000 franchise establishments, generating 18 million jobs, and yielding \$1.53 trillion in economic output (International Franchise Association – www.franchise.org). In the U.K., it is estimated that there are 759 business format franchise systems in operation, employing nearly 364,000 people, and turning over an estimated £10.3 billion each year (NatWest/ British Franchise Association Survey, 2006).

In spite of the importance of franchising in global wealth creation, it has only recently received attention in the entrepreneurship literature (Hoy *et al.*, 2000), and many ambiguities revolve around the relationship between entrepreneurship and the franchise concept. For instance, the status of the franchisee as an entrepreneur remains one of the most controversial issues among both practitioners and academics. As noted in Morrison and Lashley (2003), franchisees have been described as occupying a midway point between the independent entrepreneur and the large corporate managers (Price, 1997; Levene, 1998; Stanworth and Purdy, 2000). Morrison (2000) also argues that owner-operator franchisees are not entrepreneurs but intrapreneurs, working within an interdependent organisational environment. Essentially, franchisees have been characterised as merely purchasing the rights to implement a

franchisor's concept, often in a predetermined area, in a highly prescribed manner, and only for a defined period of time. This is a role that is traditionally assumed to be associated with a manager, not an entrepreneur (Clarkin and Rosa, 2005).

Furthermore, the fact that the franchise concept is built on replication of a format and uniformity across the system has led many to believe that it is the direct opposite of entrepreneurship (Hoy and Shane, 1998; Kaufmann and Dant, 1999). As such, the essence of so many franchise systems is to ensure standardisation and identical formats within all franchised outlets (Price, 1997). This highly constrained context has been widely assumed to restrict creativity and innovation (Clarkin and Rosa, 2005), which are at the heart of entrepreneurship (Drucker, 1985). For these, and a variety of other reasons discussed in this study, franchising is often viewed as the antithesis of entrepreneurship.

The present study intends to further understanding of the relationship between franchising and entrepreneurship by providing comprehensive empirical analyses of the key dimensions of both concepts. This study contrasts with previous work in two ways. First, to the researcher's knowledge, no study has considered the multidimensional approaches utilised in this thesis, i.e., integrating the attributes of franchisors and franchisees with their activities and operations in order to investigate whether franchising is entrepreneurial. Second, most previous studies on the relationship between franchising and entrepreneurship have employed theoretical, exploratory and secondary research veins (See, for example, Kaufmann and Dant, 1999) and need to be better anchored in robust empirical and primary research frameworks.

1.2 Research Objectives

In an attempt to expand the above body of knowledge, the overriding question for this study was stated as follows: ‘*Is franchising entrepreneurial?*’ To assess this research question, the study aimed to examine:

- (1) whether franchisors possess traits that are consistent with entrepreneurship,
- (2) whether franchisees possess traits that are consistent with entrepreneurship,
- (3) whether there are any significant differences in the entrepreneurial tendencies of franchisors and franchisees, i.e., are franchisors more or less entrepreneurial than franchisees?
- (4) whether franchisees behave entrepreneurially,
- (5) the factors that could influence entrepreneurial behaviours and activities within franchised outlets. For this purpose, three main issues were examined:
 - a. the attitudes of franchisors toward entrepreneurship in their businesses and in their franchisees,
 - b. the recruitment policies within franchise systems, i.e., whether franchisors seek to recruit entrepreneurial individuals as franchisees, and
 - c. the standardisation policies within franchise systems, i.e., whether (and how) franchisors grant franchisees the autonomy to undertake entrepreneurial activities within the franchised outlets.

1.3 Overview of the Research Methodology

The aforementioned objectives suggest that the investigation would involve whether (and how) the two main approaches to the study of entrepreneurship (the traits and the behavioural) are applicable to the franchise context. An examination of these two separate dimensions suggests that an appropriate research strategy for the study should involve a multi-staged procedure. In addition, it is necessary to take into consideration the different cultural conditions and circumstances that exist in different franchise organisations because “what is ‘truth’ in research may not remain constant

across cultures, sectors, and firms” (Siu and Kirby, 1999: 136). Morrison (2000) also notes that cultural, societal, non-cultural as well as contextual factors certainly play a significant role in shaping entrepreneurial behaviour and action. Hence, it appears that the appropriate research strategy for this study should involve a multi-staged approach, which follows a co-ordinated research programme, and should also be adjusted according to the situational factors (Siu and Kirby, 1999).

Accordingly, the three-staged contextual stepwise approach proposed by Siu and Kirby (1999), and Kirby (2007) was adopted to obtain a fuller and richer understanding of the potential role of entrepreneurship in franchising. Stage one involved qualitative research (a preliminary focus group with academic experts) to explore the research topic and to identify the issues that would be addressed in the study. Stage two involved quantitative research (follow-up questionnaire surveys with franchisors and franchisees) to test the hypotheses from the previous stage and to identify the substantive context. Finally, stage three involved qualitative research (case studies with franchisees) to provide in-depth knowledge and understanding of the issues as they apply in different contexts. The stepwise approach is based on the hermeneutic principle (Gummesson, 2000; 2003) where each stage of the research builds upon the previous one in order to make an incremental contribution to the knowledge base. To the researcher’s knowledge, this is the first study to apply this methodological procedure to the research issues under investigation.

By utilising both quantitative and qualitative research methods, this study also addressed some of the methodological shortcomings of previous franchising and entrepreneurship research. Elango and Fried (1997) argued that almost all franchising research has been coarse-grained (essentially quantitative research), and qualitative research is almost non-existent. The coarse-grained approach often fails to capture the

complexity and subtlety of actual business practice. This situation was reiterated by Gauzente (2002) who argued that the need for more qualitative approaches in franchising research is reflected in the statistics provided by Young *et al.* (2000), which shows that over a 13 year period (1986-1999), only 7.7 percent of the research in franchising has been qualitative. Similarly, Gartner and Birley (2002) have also advanced arguments for the use of more qualitative methods in entrepreneurship research. They note that many of the important questions in entrepreneurship can only be asked through qualitative methods and approaches.

1.4 Structure of the Thesis

The thesis is divided into five main parts, which is represented diagrammatically in Figure 1.4.

Part I: Introduction

This part includes a chapter with five sections that provides an introduction to the study. It starts with the background and motivation of the study, followed by a presentation of the research questions and objectives. Then, an overview of the research methodology, and the structure of the thesis are discussed in the latter sections.

Part II: Literature Review

This part provides a review of the various literatures related to the present study. It contains three chapters (Chapters 2 to 4). In Chapter 2, the theoretical, conceptual, and operational aspects of franchising are discussed, while the dimensions of the

entrepreneurship concept are presented in Chapter 3. Then, in Chapter 4, previous studies on the relationship between franchising and entrepreneurship are considered.

Part III: Methodology

This part contains Chapter 5 which discusses the methodological approach employed in the study. The chapter begins by providing a detailed discussion of the research questions and objectives underpinning the study. Then, the methodological approaches to business and management research are considered. After these, the contextual stepwise approach adopted for the study is presented, and the discussion includes comprehensive information on the three stages of the research process: the focus group, surveys and case studies.

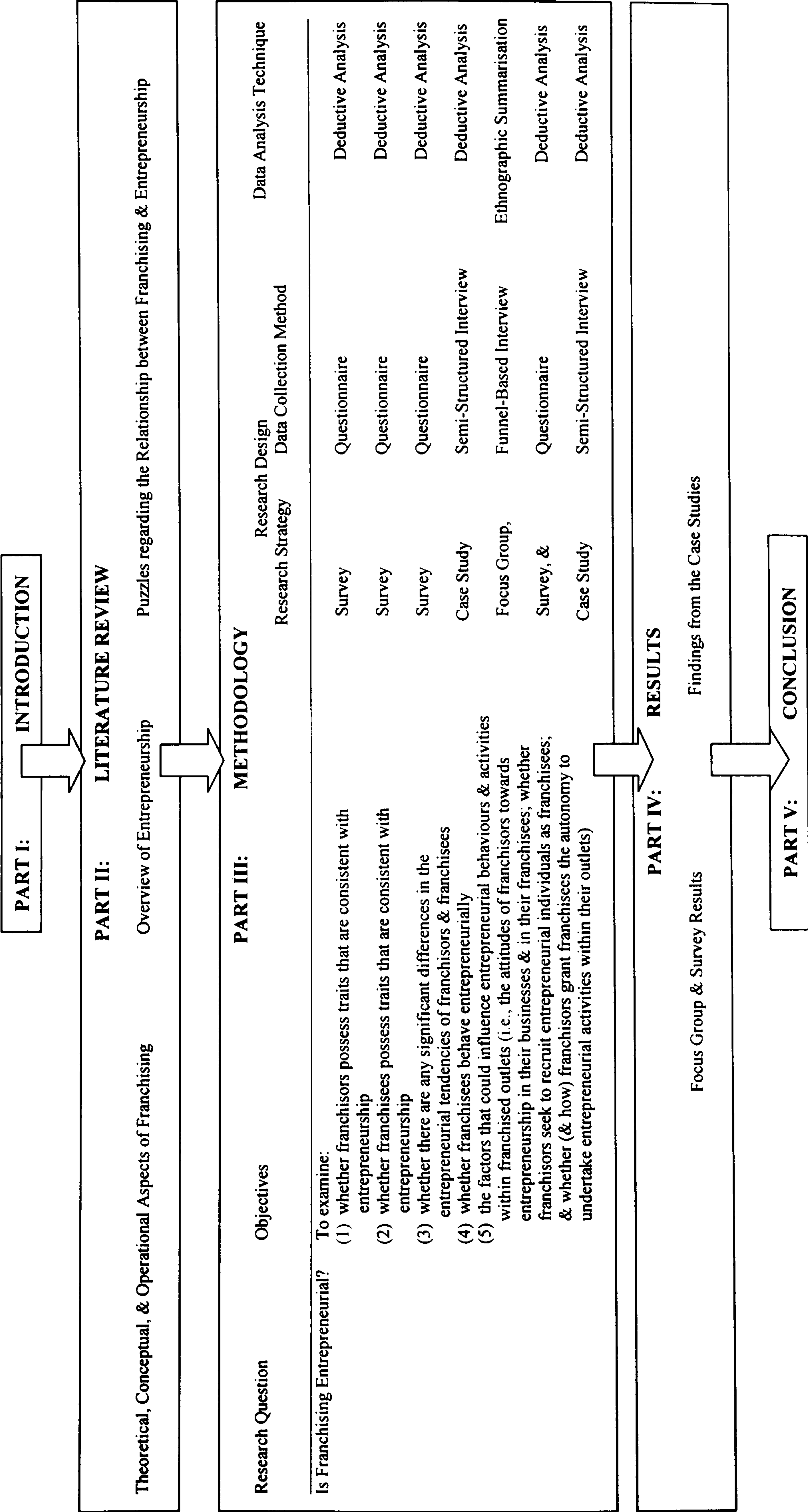
Part IV: Results

This part contains two chapters, Chapters 6 and 7, which present the findings of the study. Chapter 6 presents the results obtained from the preliminary focus group, as well as those from the surveys. Chapter 7 presents the findings obtained from the in-depth case studies.

Part V: Conclusion

The final part contains the concluding chapter, Chapter 8. The chapter includes a summary of the key findings of the study, the academic and practical implications of the research findings, the limitations of the study, and the future research directions.

Figure 1.4
Structure of the Thesis



1.5 Chapter Summary

This chapter began with a discussion of the background and motivation of the study, followed by an identification of the research gaps from the franchising and entrepreneurship literature. After that, the research problem, questions, and objectives were presented. These were followed by a discussion of the research methodology that would be adopted for the study. Finally, the organisation of the thesis was discussed in the penultimate section.

PART II: LITERATURE REVIEW

Chapter 2

Theoretical, Conceptual, and Operational Aspects of Franchising

2.1 Introduction

Chapter 2 aims to provide an overview of the franchise concept based on a review of the relevant literature. This is because an understanding of the franchise phenomenon should be the first step in demonstrating whether a relationship exists between franchising and entrepreneurship. This chapter begins with a discussion of one of the earliest debates of the academic literature on franchising, which centred on reaching a consensus on the definition of the phenomenon. This topic demonstrates some of the difficulties involved in conceptualising franchise activity, as noted by Desman (2002: 3): “Just what, exactly, is the subject? Is the focus the franchiser, franchisee, or the institution of franchising and, then, where does one stop? There are public, private, and social sector franchises; franchise systems, franchise units, master franchises, service and product franchises, business system franchises, and conversion franchises”. The review of the definitional issues is followed by a discussion of a number of areas exploring the relationship between the franchisor and the franchisee. The topics examined include the various explanations for the existence of the franchise phenomenon, i.e., why firms franchise and why

individuals decide to become franchisees, and some of the fundamental elements of franchising, which include the franchise contract and the franchise format.

2.2 Definitional Issues

Since any theoretical discussion of a phenomenon first requires a clear definition, definitional issues were much discussed when franchising first became a subject for academic research in the 1970s (Stanworth and Curran, 1999). Nevertheless, much confusion still surrounds the concept of franchising even though it is a long established business arrangement (Felstead, 1991). The concept appears to have no agreed definition, as different users define franchising in different ways (Withane, 1991). Currently, the definitional debate has now been largely replaced by a taken-for-granted meaning that merely makes a distinction between different manifestations of franchising, for example, business format from product franchising (Hoy *et al.*, 2000).

Stanworth and Curran (1999) and Hoy *et al.* (2000) outlined some of the early attempts in seeking a definition of franchising. According to their studies, Hunt (1972) provided one of the first definitions of franchising which centred on the elements of a franchise relationship. Based on Hunt's definition, the following were selected as the fundamental characteristics of a franchise relationship:

- (1) A contract which delineates the responsibilities and obligations of both parties.
- (2) A strong continuing cooperative relationship between the two parties.
- (3) The franchisee operates the business substantially under the trade name and

marketing plan of the franchisor.

According to Hunt (1972), this definition covers both ‘first generation’ franchising (found in car and petroleum distribution) and ‘second generation’ franchising (business format franchising). However, Stanworth and Curran (1999) argue that it is only the third characteristic, which distinguishes franchising from other business forms. In fact, the definition understates what is involved in the franchise relationship, such as a franchised outlet is a legally separate business with its own capital base, employees, organisational structure, and specific customer relations that can be viewed as analytically independent of the franchisor and the latter’s business and marketing strategies (Stanworth and Curran, 1999).

Later in 1976, Caves and Murphy (1976: 572) defined a franchise agreement as:

“... one lasting for a definite or indefinite period of time in which the owner of a protected trademark grants to another person or firm, for some consideration, the right to operate under this trademark for the purpose of producing or distributing a product or service”.

Despite the inclusion of elements that would be deemed as acceptable by most franchising theorists, Stanworth and Curran (1999) question the emphasis of Caves and Murphy’s definition on the trademark or corporate logo alone, arguing that this draws attention away from the more important procedures, organisational prescriptions, and technical information embodied in written form and/ or in technical equipment and/ or supplies. In the absence of the rest of the package, the value of the trademark would be limited because an important aspect of the ongoing franchise relationship is the strength of the non-trademark aspects of the franchise package (Curran and Stanworth, 1983).

Accordingly, Rubin (1978: 224) provided a well-cited definition which contained what are now familiar elements:

“A franchise agreement is a contract between two (legal) firms, the franchisor and the franchisee. The franchisor is a parent company that has developed some product or service for sale; the franchisee is a firm that is set up to market this product or service in a particular location. The franchisee pays a certain sum of money for the right to market this product”.

In addition, Rubin emphasised other aspects of the franchise arrangement, such as the initial and continuing managerial assistance provided by the franchisor to franchisees, the franchisor's tight control over the operation of franchisee outlets, royalty payments and/or purchase of supplies by franchisees from the franchisor, and the right of the franchisor to terminate the contract ‘almost at will’ (Stanworth and Curran, 1999). However, Rubin (1978: 225) proceeded to state much more controversially that: “the definition of the franchisee as a separate firm, rather than as part of the franchisor, is a legal not an economic distinction”. Yet, research in both the U.S. (Sklar, 1977) and the U.K. (Stanworth *et al.*, 1983) was already indicating that many franchise businesses were, in a real rather than a nominal sense, independent enterprises, despite close and continuing relations with franchisors (Hoy *et al.*, 2000). These studies suggest that franchisees could experience a substantial level of independence in the day-to-day operations of the franchised outlet. Thus, Rubin's research failed to provide adequate distinctions between the formal contractual relations, which emphasise the franchisor's dominance over the franchisee, and the informal everyday operational relations, which emphasise the independence experienced by franchisees (Stanworth and Curran, 1999).

In what became a widely cited American definition of franchising (Stanworth and Curran, 1999), Vaughn (1979: 12) suggested that franchising is:

“... a form of marketing or distribution in which a parent company customarily grants an individual or a relatively small company the right, or privilege, to do business in a prescribed manner over a certain period of time in a specified place. The parent company is termed the *franchisor*; the receiver of the privilege, the *franchisee*; and the right or privilege itself, the *franchise*”.

This definition overcame the weaknesses in previous definitions by making a distinction between the franchise, the franchisor and the franchisee. However, Stanworth and Curran (1999) argue that the depiction of franchising as a form of marketing or distribution understates the extent to which franchising has evolved into a distinct business form (often now referred to as a total business package or business format). Moreover, Vaughn's definition was linked only to the franchisor's motivations. Any attempted explanation of franchising requires placing equal emphasis on the motivations of the other major party involved (i.e., the franchisee), as continuing economic relations would be explained insufficiently by reference to the motivations of the initiator alone (Stanworth and Curran, 1999).

Numerous other attempts were made at defining franchising in this early period, but the above are representative of the difficulties encountered in providing a conceptualisation (Stanworth and Curran, 1999). In an attempt to address some of the shortcomings of the previous studies and to provide a working definition for the developing area of franchising research, Curran and Stanworth (1983: 11) re-defined franchising as:

“a business form essentially consisting of an organisation (the franchisor) with a market-tested business package centred on a product or service, entering into a continuing contractual relationship with franchisees, typically self-financed and independently owner-managed small firms, operating under the franchisor’s trade name to produce and/or market goods or services according to a format specified by the franchisor”.

Although this definition includes the core elements of the franchise relationship and most varieties of franchising (such as product and business format franchising), Hoy *et al.* (2000) contend that the following points could be incorporated into the definition bearing in mind how franchising has evolved in the last fifteen to twenty years:

- Franchisee self-financing is often supported significantly by loan finance from banks or other sources, including franchisors.
- In some sectors (such as fast food), multi-unit and corporate franchisees are clearly not always owned by small-firm owner-managers. In fact, some corporate franchisees may be larger than their franchisors, as measured by value of corporate assets. In most cases, however, small scale ownership remains typical.
- Although Curran and Stanworth defined the relationship as a continuous one, the actual period of the contract will be variable from one franchise to another.
- Finally, some reference should also be made to the payment of fees or royalties of various kinds by franchisees to franchisors.

If these points are included in the definition by Curran and Stanworth (1983), this definition represents a gradually evolved consensus as the study of franchising has developed (Hoy *et al.*, 2000). Although the definitional debate re-emerges periodically (See, for example, Spinelli and Birley, 1996), it is mostly a feature of earlier research (Stanworth and Curran, 1999).

In addition to the above plethora of definitions, the British Franchise Association (BFA), the only independent accreditation body for franchising within the U.K., utilises the following definition:

“The term ‘franchising’ has been used to describe many different forms of business relationships, including licensing, distributor and agency arrangements. The more popular use of the term has arisen from the development of what is called ‘business format franchising’. Business format franchising is the granting of a license by one person (the franchisor) to another (the franchisee), which entitles the franchisee to trade under the trade mark/trade name of the franchisor and to make use of an entire package, comprising all the elements necessary to establish a previously untrained person in the business and to run it with continual assistance on a predetermined basis” (British Franchise Association – www.british-franchise.org).

The International Franchise Association (IFA), the only association serving as the voice for franchising in the United States and a major participant in the international franchise arena, also utilises the following definition:

“Franchising is a method of distributing products or services. At least two levels of people are involved in a franchise system: (1) the franchisor, who lends his trademark or trade name and a business system; and (2) the franchisee, who pays a royalty and often an initial fee for the right to do business under the franchisor’s name and system. Technically, the contract binding the two parties is the ‘franchise’, but that term is often used to mean the actual business that the franchisee operates” (International Franchise Association – www.franchise.org).

2.3 Explanations for Franchising

A broad definitional agreement, however, is only the first stage towards developing a model for explanation (Stanworth and Curran, 1999). Within the academic franchise literature, researchers (e.g., Stanworth *et al.*, 1995; Hopkinson and Hogarth-Scott, 1999) have strived to understand why firms decide to franchise and why individuals decide to buy franchises. Generally, explanations of the existence of franchising can be categorised into two broad perspectives, based on the perspective of each of the franchise partners.

2.3.1 The Franchisor's Perspective

Whilst different reasons have been offered in the academic literature for why firms choose to franchise, with much of the underlying theory coming from the economics literature, none appears to give a complete explanation of the franchise phenomenon (See for example, Kaufmann and Dant, 1996; Watson *et al.*, 2002). Most of the explanations have a different focus, requiring different causal connections for their respective explanations of franchising (Alon, 2001). Nevertheless, there are two leading theoretical viewpoints in the literature to explain franchising. These are related to the resource constraint and the agency perspectives (Combs and Ketchen, 2003; Michael, 2003; Combs *et al.*, 2004).

Resource Constraint (Scarcity) Explanations

Under the resource constraint theory which was first developed by Oxenfeldt and Kelly (1968-1969), firms seeking to expand their businesses into new markets may not have the resources to do so. Therefore, franchisors adopt the franchise business form in order to overcome constraints to growth by obtaining three key resources from franchisees: financial capital (Oxenfeldt and Kelly, 1968-1969; Ozanne and Hunt, 1971; Caves and Murphy, 1976), human capital (Hopkinson and Hogarth-Scott, 1999; Watson *et al.*, 2005), and local market knowledge (Oxenfeldt and Kelly, 1968-1969; Watson *et al.*, 2005).

Since the franchisor requires *financial capital* for the rollout of the business concept across the nation (Michael, 2003), such funds are generated from the franchisee

through an initial franchise fee, an ongoing royalty as well as payment for fixed assets, such as equipment, signage, and often, buildings and land from which the business operates (Lafontaine and Kaufmann, 1994; Alon, 2001). By obtaining the costs of opening new outlets from franchisees, franchising therefore facilitates efficient and rapid market penetration for the franchisor organisation (Hunt, 1977; Curran and Stanworth, 1983; Mason and Harrison, 1985; Dant, 1995), as well as company growth (Kirby and Watson, 2003). Hopkinson and Hogarth-Scott (1999) also argue that *human capital* constraints may operate in the form of the ‘Penrose effect’ (i.e., the lack of managerial capability within smaller or younger companies). Franchisees often provide ready sources of human capital, as managers with the talent to operate new outlets are often difficult to develop from within, especially at such an early stage in an organisation’s history (Lafontaine and Kaufmann, 1994). Indeed, previous studies have suggested that only people confident in their managerial abilities are likely to purchase a franchise because they have a significant stake in their outlets’ performance as a result of their heavy investments in the franchise arrangement (Shane, 1996). Further, franchisors require significant increases in *informational capital* for rapid growth (Dant *et al.*, 1996a). This includes information on local market conditions, such as desirable locations for the business, the potential demand, the sources of labour supply, and the local culture. Since franchisees often come from the local market and thus have insights into local needs (Combs *et al.*, 2004), the franchisor firm shifts the burden of understanding local market conditions to franchisees by using the franchise strategy in unfamiliar locations (Minkler, 1990).

Although, the franchisor's need for financial, human, and informational capitals may serve as important reasons for franchising, it should be noted that the question of whether any particular single resource scarcity can solely drive franchising is not yet settled (Combs *et al.*, 2004). Norton (1988a, 1995) contends that capital scarcity must be bundled with a need for managerial expertise, or local knowledge, in order to explain franchising. On the other hand, some studies suggest that capital scarcity (Dant, 1995; Kaufmann and Dant, 1996; Dant and Paswan, 1998; Combs and Ketchen, 1999), managerial expertise (Shane, 1996), and local market knowledge (Minkler, 1990, 1992) may offer independent explanations for franchising.

However, research continues to undermine the resource constraint view of franchising (Alon, 2001) by linking the theory with the empirical evidence on the ownership redirection thesis – the premise that there may be a deliberate effort on the part of the more powerful franchisors to convert the previously franchisee-owned units into company-owned units (Dant *et al.*, 1996a). An important issue in the organisational analysis of franchising is whether it is a genuinely stable form of business organisation or just a temporary stage in the development of a business, which then transforms into a conventional form (Stanworth and Curran, 1999). Oxenfeldt and Kelly (1968-1969) argue that the value of franchising to the franchisor changes over time; franchising is advantageous to the franchisor mainly during the infancy and adolescence of the enterprise, as it provides easy access to resources not readily available to young organisations (Dant, 1995; Dant *et al.*, 1996a). Once the franchise system is established and has passed the early stage of development, alternative sources of capital become available to the franchisor, and capabilities in financial management, site identification,

and managerial training are eventually developed by the franchisor (Michael, 2003). At this stage, the resource constraint argument predicts a movement in the direction of complete company-ownership, with the possible exception of marginal units, e.g., those located far from company headquarters, or those facing low demand, which will remain in the hands of franchisees (Lafontaine and Kaufmann, 1994; Dant *et al.*, 1996a; Michael, 2003). Therefore, franchising may be perceived as a temporary short-term strategy in the lifecycle of the franchisor organisation (Dant *et al.*, 1996a; Hopkinson and Hogarth-Scott, 1999). However, theoretical literature on the occurrence of the ownership redirection phenomenon is equivocal, and the empirical investigations have confounded this dialogue by using different methodologies and operationalisations (Dant *et al.*, 1996a). As a result, hypotheses linked to the franchise redirection debate have been rejected (or at least not supported) in many studies (Hopkinson and Hogarth-Scott, 1999).

The validity of the resource constraint theory has also been questioned using financial portfolio theory (Rubin, 1978). Based on this argument, franchising represents an inefficient means of raising capital relative to traditional capital markets. Since franchisees have their financial risk concentrated in one unit, or at least limited number of outlets, they will demand a risk premium from the franchisor in compensation for the risk they bear. Thus, it would be more efficient to diversify the risk by selling shares in the whole chain.

Notwithstanding the criticisms, the resource scarcity argument continues to gain empirical support (e.g., Kirby and Watson, 1999; Alon, 2001). With respect to *financial capital scarcity*, Combs and Ketchen (1999) suggest that the financial strength of public franchisors affects the ratio of franchised to total units; another study by Martin and Justis

(1993) also reports that credit market conditions have an influence on the ratio of franchised to total units for immature (less than 10 years) but not mature franchisors. In addition, whether there is actually scarcity of skilled managers is a harder question, and research on *managerial scarcity* has not been highly successful (Michael, 2003). However, Michael (2003) points out that the investigations by Thompson (1994) and Shane (1996) show a positive correlation between chain growth rates and the percentage of units in the chain that are franchised because franchising overcomes the managerial limit to growth. Further, Michael (2003: 64-65) notes that “an empirical result sometimes cited in support of *informational scarcity* is that outlets in rural areas are more likely to be franchised, where franchisors are less likely to know the high traffic, profitable intersections (e.g., Brickley and Dark, 1987)”.

Although portfolio theory and the empirical evidence relating to redirection undermine the resource constraint perspective as a sufficient or single explanation for the existence of franchising, they do not necessarily rule it out as a contributory motivation (Hopkinson and Hogarth-Scott, 1999). Indeed, Alon (2001) argues that one need not wholly reject a theory merely because pieces of it require adjustment. “Whilst the capital raised is a benefit, the persistence of franchising in those cases where capital constraints are less onerous suggests that further explanations are required” (Hopkinson and Hogarth-Scott, 1999: 832).

Agency-Based Explanations

Although the resource constraint argument remains controversial, the agency theory, first identified by Jensen and Meckling (1976), is well established as an explanation for

franchising (Caves and Murphy, 1976; Rubin, 1978; Blair and Kaserman, 1982; Mathewson and Winter, 1985; Williamson, 1985; Brickley and Dark, 1987; Norton, 1988b; Lal, 1990; Brickley *et al.*, 1991; Lafontaine, 1992; Sen, 1993). As noted by Pizanti and Lerner (2003), agency theory has been the most frequently applied theory in the franchising literature (e.g., Kaufmann, 1996; Falbe and Welsh, 1998). An agency relationship exists whenever one party (i.e., the principal) delegates authority to a second party, the agent (Combs *et al.*, 2004). In the case of franchising, many studies view the franchisor as the principal who delegates work to the franchisee, who is usually seen as the agent (e.g., Alon, 2001; Lim and Frazer, 2004). Under this arrangement, the franchise agreement, which specifies the roles and responsibilities of each party, represents the governing contract (See Sub-section 2.4.1).

The agency explanation is widely linked to the transaction cost theory, which is based on the notion that the negotiation, monitoring, and control of economic transactions, within and between organisations, necessarily incur cost. Agency theory assumes that firms seek to minimise these costs wherever possible in order to maximise efficiency, and the franchise business form is an important strategy that firms can use to reduce transaction costs in many sectors (Stanworth and Curran, 1999).

Therefore, the agency theory perspective within the franchise literature focuses on the monitoring skills of the franchisor. The argument is that firms franchise to minimise monitoring and shirking costs because they are unable to monitor their managers efficiently (Alon *et al.*, 2004), particularly in large or geographically dispersed outlets (Hopkinson and Hogarth-Scott, 1999; Kaufmann and Dant, 1999). By adopting the franchise strategy, the franchisee becomes the monitor at the unit level, and has a residual

claim on sales as well as a vested interest in the efficiency of the unit (Hopkinson and Hogarth-Scott, 1999). Offering ownership allocation as compensation to the franchisee rather than fixed compensation to a salaried manager solves the two agency problems (Lisenhardt, 1989; Shane, 1996): adverse selection (the abilities and skills of the agent cannot be completely verified by the principal because the former can misrepresent information concerning his/ her skills and abilities), and moral hazard (it cannot be known to the principal if the agent is genuinely making an optimal investment of effort or is misdirecting his/ her efforts to advance personal goals) (Pizanti and Lerner, 2003).

However, despite empirical support for the agency explanation (Brickley and Dark, 1987; Norton, 1988a; Brickley *et al.*, 1991; Carney and Gedajlovic, 1991; Lafontaine, 1992), franchising is by no means cost free and franchisors must also consider other potential costs associated with franchising (Pizanti and Lerner, 2003; Combs *et al.*, 2004). A particular agency cost is that associated with free riding, which is particularly prevalent in businesses with few or no repeat customers (Brickley *et al.*, 1991). According to Hopkinson and Hogarth-Scott (1999), horizontal free riding exists when franchisees reduce quality within their units, thus, accumulating personal benefits through cost savings, whilst the loss caused by poor service will be diffused through the brand and suffered by all franchisees operating the brand. On the other hand, vertical free riding can occur when the franchisor saves by reducing quality of their inputs, with the costs being borne by the franchisees. Thus, Shane (1995), and Kirby and Watson (1999) contend that although monitoring and supervisory costs are lessened, they are not completely eradicated. This view was supported in the research conducted by Cox (2002) where all the forty firms studied confirmed that monitoring of franchisees was necessary

to ensure consistency of franchise formats as well as to ensure that standards were maintained.

In addition, Cox (2002) argues that the agency theory fails to recognise the entry costs that are incurred when embarking on the franchise strategy. Franchising is often portrayed as a low-cost growth option since it uses franchisees' capital, but this ignores the substantial investments (e.g., legal fees for contract preparation and the establishment of a pilot unit) that are encountered when entering franchise-based expansion. Recruitment of the first set of franchisees may also be costly, bearing in mind the fact that there may be 'high' and 'low' quality agents (i.e., franchisees). The franchisor would have to expend effort on the problem of adverse selection in order to separate high quality agents from low quality agents, even though this recruitment and selection process may be costly to the franchisor. These initial investment costs could, therefore, prove prohibitive and unattractive to potential franchisors irrespective of the potential long-term benefits (Price, 1997).

Further, the agency perspective has been criticised for assuming that profit is the principal or even the only goal individuals have for becoming franchisees. This has long been a widely held view about those who go into business for themselves, even though a great deal of research are available to the contrary (Kaufmann and Stanworth, 1995; Stanworth and Kaufmann, 1996). Curran and Stanworth (1983; 1998) argue that profit is not the sole motivating factor for becoming a franchisee. Rather, independence and autonomy are other important goals individuals can have for entering franchising (Stanworth and Curran, 1999) (See Sub-section 2.3.2.). But such factors are not generally considered by the agency rationale (Cox, 2002).

Pizanti and Lerner (2003) also argue that the agency perspective ignores the relational complexity within the franchise. The franchise relationship can be set down in a long-term contract but actual relations between the franchisor and the franchisee are likely to undergo short term changes (Elango and Fried, 1997). Also complicating this issue is the incomplete nature of the franchise agreement; the contract tends to emphasise franchisors' rights more than their obligations (Pizanti and Lerner, 2003). As a result, Alon (2001) criticises the assumption in the agency theory that the principal (franchisor) has unilateral control over the agent, or franchisee. Alon (2001) argues that in recent years, the power of the franchisor has decreased, as the use of franchisee associations and councils has started to increase. Further, Hopkinson and Hogarth-Scott (1999) argue that agency explanations give rise to ambiguity over the division of power. Franchisees derive power to the extent that they achieve greater efficiency than would be available to the integrated firm. At the same time, there is a danger of the perception of contractual power vested in the franchisor, who both writes the contract and has the authority to implement it, thereby, creating a perception of power imbalance.

Overall, Pizanti and Lerner (2003) noted that the agency theory is one-sided, excessively narrow, tautological, and cannot be applied empirically. To overcome these weaknesses, several authors recommend combining agency theory with additional theories (See, for example, Shane and Spell, 1997; Dant and Nasr, 1998; Falbe and Welsh, 1998; Castrogiovanni and Justis, 2000) or considering other research that may provide further insight into the decision to franchise (See, for example, Watson *et al.*, 2002). Indeed, Combs and Ketchen (2003) suggest that theoretical explanations for franchising need to move beyond resource scarcity and agency theories; extant literature

has demonstrated no empirical support for the long-hypothesised relationship between resource scarcity and franchising, and agency theory only offers a partial explanation for franchising.

2.3.2 The Franchisee's Perspective

Since the ultimate decision whether to franchise a product or service concept remains with the franchisor, research into the motivation underlying the creation of a franchise relationship has concentrated almost entirely on the franchisor (Kaufmann and Stanworth, 1995). As discussed in the previous section, a substantial amount of theoretical and empirical economic research has been documented to explain why firms choose to distribute their products or service offerings through franchising (e.g., Oxenfeldt and Kelly, 1968; Caves and Murphy, 1976; Rubin, 1978; Williamson, 1979; Brickley and Dark, 1987; Martin, 1988; Norton, 1988a; Kaufmann and Lafontaine, 1994; Lafontaine and Kaufmann, 1994). In contrast, the reasons why individuals join franchise systems, and the characteristics that predict which individuals are likely to be interested in becoming franchisees have received little attention. Yet, understanding the reasons why people choose to join a franchise should be a central research topic in franchising research since the franchise relationship involves not only a franchisor, but also a franchisee.

Peterson and Dant (1990) had difficulty finding any meaningful research results addressing the issue of motives attracting individuals to becoming franchisees. In the event, they could only find three studies carried out by Stanworth (1985), Hough (discussed by Mendelsohn, 1985) and Knight (1986) wherein the importance of selected benefits of franchising to franchisees had been empirically assessed. All of these studies

utilised questionnaires that contained a selected list of possible advantages for becoming franchisees and respondents were asked if they agreed with these reasons (Peterson and Dant, 1990). Table 2.3.2. shows the rankings of the advantages of/ reasons for franchising from the franchisees’ perspective based on a comparison of the research studies.

Table 2.3.2
Comparison of Research Studies

Rank	Peterson & Dant (1990)	Stanworth (1985)	Knight (1986)	Hough (Mendelsohn, 1985)
1	Training provided	National affiliation	Established name	Franchisor support
2	Established name	Franchisor support	Satisfaction	Lacked experience
3	Greater independence	Better investment	Greater independence	Established name
4	Better investment		Faster development	
5	Lower development cost		Proven formula	
6			Better investment	

SOURCE: Peterson and Dant (1990)

As documented by Peterson and Dant (1990), ‘Training provided’, the highest ranked advantage in their study, is not listed in the other studies, although a more general attribute listed in the other studies (with the exception of the study by Knight) of which training may be a part, is, ‘franchisor support’. This more general attribute is listed first in the Hough study and second in the Stanworth study. The item which ranked second in the Hough study, ‘lacked experience’, could be considered the basis of need for ‘franchisor support’ (Peterson and Dant, 1990).

An 'established name', which ranked second in the Peterson and Dant study, is ranked first in the Stanworth study (if 'national affiliation' is considered an analogous item), first in the Knight study, and third in the Hough study. Only the Peterson and Dant study and that of Knight's rated 'greater independence' high; both samples ranked it third. Among the second tier of advantages designated as important in the Peterson and Dant study, i.e., 'better investment' and 'lower development cost', only 'better investment' appears in two of the other studies; it ranked third in the Stanworth study and sixth in the Knight study (Peterson and Dant, 1990).

Peterson and Dant (1990) note that Table 2.3.2. includes all the reasons presented in the Knight study. The reasons not listed in the table but which are contained in the Stanworth and Hough studies (with less than 10 percent agreement frequencies) were: an opportunity to build a business for the future and/ or family (Stanworth), greater job satisfaction (Stanworth), previous experience (Stanworth and Hough), and pure chance (Hough).

However, probably because of the considerable practical difficulties of identifying and locating would-be franchisees (Peterson and Dant, 1990), the samples used in all the four studies were composed of *current* (i.e., *existing*) franchisees and not *potential* franchisees. The franchisees' responses may, therefore, differ from how they would have responded prior to owning a franchise; in other words, the samples are subject to a reliance on recall and hindsight (Peterson and Dant, 1990). The inclusion of current rather than potential franchisees would give rise to a greater emphasis on reasons based on their experiences. Since experience changes perceptions, responses may be biased and changed over time (from when the franchisee first considered the franchise option through to

operation) depending on whether the franchisee has had positive or negative experiences (Kaufmann and Stanworth, 1995).

Consequently, researchers began to include *potential* franchisees in their samples in order to address the methodological shortcoming of previous studies. In examining the reasons why individuals become franchisees, Stanworth *et al.* (1995) focused on the motivation and decision-making processes of individuals at the time of considering the franchise option. Samples of potential franchisees were identified and selected amongst those attending the U.K. and U.S. franchise exhibitions. They argued that there is no better access in the U.K. or the U.S. for research into potential franchisees. Although, in the U.K., free entry to the franchise exhibitions could be easily achieved, the authors argued that the charging of nontrivial entrance fees by the franchise exhibition organisers, as well as the travelling of quite considerable distances by many of those attending the exhibitions, suggest that the act of attendance is not an action undertaken lightly. Attendees were presented with a list of main reasons why people might be motivated to buy a franchise and they were asked to indicate which was the most important to them. The first three reasons stressed by respondents included ‘a proven business system’, ‘independence/ chance to be your own boss’, and ‘a known trade-name’. The ordering of the reasons was identical for both countries, except in the U.S. where ‘reduced risk’ was selected slightly more frequently than ‘a known trade-name’. The results show that some of these ratings are quite similar to those presented in Table 2.3.2, which are based on samples of existing franchisees. This could be because the list of reasons in the Stanworth *et al.* (1995) study (just like most other studies) was made up of motives drawn from previous research conducted in both the U.K. and U.S.

However, the origin of the list of possible reasons for choosing a franchise, as used in the franchising literature, has been a subject of criticism. According to Gauzente (2002), the existing lists of criteria for choosing the franchise route are not necessarily renewed, or actualised, since the lists are often inspired from previous studies. Gauzente links this argument to the fact that franchise researchers mainly employ coarse-grained research with preference for mail surveys/ questionnaires (See, for example, Knight, 1986; Peterson and Dant, 1990; Withane, 1991). As a result, the questionnaires are based merely upon inventories of potential reasons for joining the franchise, which are mainly old American inventories. Some of these inventories stem from theoretical examination of the advantage of franchising (primarily from transaction cost theory), some are drawn from journalistic publications, while others are obtained from short interviews. Gauzente (2002) argues that compared to conventional surveys with closed questions, more qualitative research should be used when considering an individual's motivations to become a franchisee. This approach would reflect knowledge of the franchisees' real experiences and enrich the existing lists of reasons for joining a franchise, by providing additional reasons relative to those widely used in franchise research.

Watson and Stanworth (2005) have also attempted to provide a new framework to better understand the reasons why franchisees join a franchise system. Their framework was based on an analysis of the franchisee's intellectual capital (human, relational and structural) and the inputs from the franchisor's intellectual capital. They suggested that the initial investment that franchisees receive in their intellectual capital is probably one of the main reasons for purchasing a franchise. In terms of *human capital*, individuals who do not have the appropriate human capital for independent start-up, may view

franchising as a means of redeeming this deficiency, because of the training they receive from the franchisor. In terms of *relational capital*, franchisors can provide franchisees with access to well developed brand name, established supplier and customer relationships and market knowledge. In terms of *structural capital*, franchisees can gain access to the support structures, communication channels as well as the information systems provided by the franchisor. Thus, Watson and Stanworth (2005) suggested that in order to understand the possible merits of joining a franchise system, potential franchisees could evaluate the value of the intellectual capital offered by different franchise systems in relation to their own intellectual capital assets.

In general, the reasons that potentially motivate would-be franchisees can be dichotomised: (1) the advantages of the franchise route over starting one's own business, and (2) the advantages of franchising as a business option over being an employee (Peterson and Dant, 1990). This is consistent with the Kaufmann and Stanworth (1995) study which suggests that the decision criteria to purchase a franchise can often be categorised by using a double comparison: (1) franchise vs. salaried employment and (2) franchise vs. independent business. Indeed, virtually all the studies reviewed on the reasons why franchisees choose the franchise option clearly fall into one of these two dichotomies (See, for example, Knight, 1986; Peterson and Dant, 1990; Withane, 1991; Stanworth *et al.*, 1995). The frame of reference for the *personal* benefits attached to franchising (e.g., independence) in previous studies was the comparison of franchising to employment by others. On the other hand, the frame of reference for the *financial* and *business* benefits associated with franchising in prior studies was the comparison of franchising to operating an independent business (e.g., training and an established brand

are compared with operating independently not with corporate employment, and issues such as attractive levels of risk and available financing are also compared with an independent business not corporate employment) (Kaufmann, 1999).

However, Gauzente's (2002) findings suggest that the classical dichotomies (salaried employment vs. franchise, and independent business vs. franchise) do not provide unique explanations for choosing a franchise. Compared to the existing lists of classical reasons widely used in franchise research (Hunt, 1977; Knight, 1986; Peterson and Dant, 1990; Withane, 1991), additional reasons for joining the franchise [such as 'valorising activity' (successful status), 'reconversion' (in case of fired people), 'source of revenue', 'professional promotion', 'possibility to be geographically settled' and 'opportunity'] were found in the study by Gauzente (2002). Consequently, Gauzente (2002) concluded that had the research process in her study been designed with questions involving a contrast between salaried employment and franchise on the one hand, and independent business and franchise on the other, the same categories of reasons as documented in previous research would have been found. Similarly, Withane (1991) attributed the substantial difference between his results and those of Knight's (1984) to the fact that respondents in his study stated the actual reasons for joining franchises, while Knight's study requested the respondents to make a comparison between independent businesses and franchising. Hence, focusing on franchise solely is very fruitful (Gauzente, 2002).

In sum, the above discussion suggests that the motivation to become a franchisee is embedded in the broader decision to become self-employed (Kaufmann, 1999). This is consistent with the findings discussed above, e.g., Knight (1986), Peterson and Dant

(1990) and Stanworth *et al.* (1995), which report that respondents identified personal independence (or autonomy) as a key benefit of owning a franchise. This particular benefit has been found important in franchisees' studies, perhaps because franchising is often promoted as a way to be in business for yourself but not by yourself (International Franchise Association, 1988). The purchase of a franchise is, therefore, part of a much larger complex process; one that starts with the antecedents to the intent to become self-employed and ends with the purchase of the franchise itself (Kaufmann, 1999).

2.4 Fundamental Aspects of the Franchise Concept

Franchising is an avenue to self-employment offered by franchisors (owners of a 'tried and-tested' business format) to franchisees (typically aspiring small business men and women), in exchange for payment of a front-end fee and an on-going royalty (Hoy *et al.*, 2000). The very nature of this relationship raises questions concerning the latitude for independent action and constraints on decision authority (Stephenson and House, 1971), as it depends for its success on the standardisation of the offer in order to ensure quality. The franchise relationship is a delicate one and it requires careful management given the franchisor's interest in protecting the trade name and public image, on the one hand, and the franchisee's motivation for independence, on the other hand (Stanworth, 1991). The franchisor's interest in closely monitoring the activities of franchised outlets arises from a desire to ensure that standards of service and efficiency are maintained. Yet, these interests clash potentially with the franchisee's role as a *self-employed small businessman* with its norms of *independence and autonomy* (Stanworth, 1991). Given the issues under

investigation in this study, it is important to shed light on certain aspects of the franchise concept, such as the nature of the franchise contract, the degree of autonomy that franchisees can expect and should have in order to operate the affiliated outlets according to their own dictates, and the amount of flexibility that franchised outlets can have to exploit local market situations.

2.4.1 The Franchise Contract: Allocation of Rights and Obligations

As shown in Section 2.2, a franchise agreement, like any contract, is a mutually agreed allocation of rights and obligations among two entities (Hunt, 1972; Leblebici and Shalley, 1996; Phan *et al.*, 1996). The franchisor is a parent company (the trademark owner) that has developed a product or service for sale, and the franchisee is a firm (a local user) that is set up to provide this product or service in a specified location by employing a production process developed by the franchisor (Michael, 1996; Leblebici and Shalley, 1996; Elango and Fried, 1997). Therefore, the contract is the heart of the franchise, and it provides the basis for a continuing relationship between the franchisor and the franchisee (Stephenson and House, 1971). It is the document in which the entire transaction is drawn together (Mendelsohn, 2005).

As documented by Leblebici and Shalley (1996), included in every franchise contract is a set of provisions that can be categorised into two main classes – the ‘formation and termination’ provisions and the ‘operations and conduct’ provisions (contract provisions dealing with real-estate transactions are excluded because they are the product of an entirely different set of conditions, and they are separate from the franchise business itself). The commencement and termination aspect of franchise

contracts is usually written to make the relationship between the parties clear, and the contingencies specific. With respect to these provisions, the contract is written in discrete terms, with each party's rights and duties specifically delineated. Examples of some major groups of provisions under the 'formation and termination' provisions class include:

- general contract provisions such as the nature of franchise, territory of franchise, protection from competition, degree of franchisee participation in the business (e.g., part- or full-time);
- provisions related to the termination of the contract; and
- provisions related to the relationship between the two parties after termination.

On the other hand, the contractual provisions in the second class (i.e., those dealing with the ongoing operations and conduct of the parties) cannot be made specific because it is impossible to define all the future contingencies and possible business opportunities. Phan *et al.* (1996) argue that, although franchisees are usually governed by lengthy and detailed agreements, such contracts are considered incomplete because ex ante contracts can never specify all contingencies. As a result, the franchising relationship often goes beyond the formal interactions dictated by the contract. Hence, with respect to the 'operations and conduct' provisions, the contract is usually written in relational terms, with each party's rights and obligations defined in terms of powers and liabilities towards each other. By writing these provisions in relational terms, this gives the parties the ability to respond to changes in business conditions without having to renegotiate the contract. Examples of some major groups of provisions under the 'operations and conduct' provisions class include:

- provisions of uniformity that include items such as physical layout, product lines, hours of operation;
- obligations of the franchisor that include various types of managerial assistance provided to the franchisee such as site selection and training programs;
- employee conduct provisions that specify the rights of the franchisee and the franchisor with respect to the employees; and
- provisions on operations that specify how the service should be provided.

From an agency perspective, Phan *et al.* (1996) argue that franchise research has concentrated on how franchisors incorporate provisions that minimise shirking into their contracts, and on how franchisees use contracts to restrict opportunistic behaviours by franchisors. Hence, franchising is an analytical way to allocate decisions within the franchise system between the franchisor and the franchisee in order to promote efficiency and provide incentives (Michael, 1996). According to Michael (1996), for delegation of decisions to promote organisational efficiency, the right to make decisions must be properly aligned with the profits that result from those decisions, termed residual claims (Fama and Jensen, 1983a; 1983b). If not, the party that makes the decisions has an incentive to indulge in his/her own interests at the expense of those who hold residual claims (Jensen and Meckling, 1976). This is referred to as the agency problem, discussed in Sub-section 2.3.1.

In franchising, as analysed by Rubin (1978), decisions are divided between two legally independent but economically related entities, the franchisor and the franchisee, and the appropriate level of residual claims are allocated to each of them. Although it may depend on the terms of the contract, the franchisee alone makes decisions regarding local

operations such as location, pricing, hours of service, and hiring. Consequently, the franchisee bears the residual claims from these decisions, that is, the net profit of the unit after expenses. On the other hand, the franchisor makes decisions that create the standardisation that the trademark signals such as decisions regarding the product, its production, and associated marketing efforts. The franchisor develops operating procedures to produce a standardised product and keeps the details of the procedures in an operating manual. Compliance with procedures is assured by monitoring, or periodic inspection by the franchisor, with the ultimate punishment of termination of the right to use the trademark (Brickley and Dark, 1987; Pitegoff, 1989). Although franchisors have the right to terminate the contract on the basis of any deviation from the manuals, they may not necessarily do so, as the franchisee's overall performance would be considered. In addition, the franchisor approves all suppliers of inputs apart from labour to the system, and produces information necessary to sell the product through advertising and promotional material. Hence, the franchisor makes decisions to develop the system's trademark, and realises the residual claims from these decisions through ongoing royalty payments made by franchisees.

Empirical support for the above has been provided by Stanworth (1991). At the operational day-to-day level, the franchisors and franchisees in Stanworth's (1991) sample were questioned in detail on who they felt had the responsibility for certain key aspects of the outlets' operations. The franchisors and franchisees were in broad agreement on the division of responsibilities on seven key aspects of outlet decision-making. While it may depend on the terms of the contract, franchisors claimed responsibility for control over the product/ service mix and pricing, and franchisees

claimed control over hours of opening, employment of personnel, bookkeeping, service quality standards and local advertising. This is consistent with Ozanne and Hunt's (1971) conclusion that franchisees believe they are independent since they perceive themselves to have primary responsibility for the same key operating areas found in the Stanworth (1991) study, including pricing. Hence, Stanworth (1999) suggests that franchisors had responsibility for the 'overall brand offer' (pricing, product mix, quality auditing), while franchisees are responsible for more 'tactical decisions' (opening hours, staffing, bookkeeping, meeting service quality standards, local advertising and such like). At the very least franchisees have, therefore, a degree of tactical control that puts some restrictions on the franchisors ability to impose uniformity (Lashley, 2000). Really, the franchisor may not want to be too involved in the day-to-day running of a franchisee's business nor over-supervise because this could produce overly dependent unit operators. Hence, at the operational level, there are clear limits to the control franchisors can exercise over franchisees (Stanworth, 1995).

Thus, Michael (1996) notes that the franchise system achieves efficiencies in information, supervision, and scale by partitioning decisions and aligning them with corresponding residual claims. With respect to achieving *efficiency in information*, decisions on pricing, wages, and (in many systems) location that require local information and human capital are delegated to the franchisee, who has more knowledge about local demand, labour markets, and real estate. In terms of achieving *efficiency in supervision*, franchisees have a better incentive than employees to supervise the local outlets well because they have a claim on the profits of the outlets. With regard to achieving *efficiency in scale*, the franchise system permits economies of scale and scope in marketing.

purchasing, and product development. In terms of marketing, the production of advertising messages and the design of new products have the same cost irrespective of the number of units which benefit from the messages or designs. The system thus allows franchisees to have collective access to resources that would be unaffordable individually. Moreover, the franchisor often has the ability to negotiate better terms with suppliers than individual franchisees can, thereby producing economies of scale in purchasing. Also, the sharing of information about new products and operations among the franchisees and the franchisor can improve efficiency in any particular unit.

Although the above discussion suggests that decisions are partitioned between both franchise partners, a number of studies (e.g., Stephenson and House, 1971) still claim that most of the power is concentrated in the hands of the franchisor and, as such, the franchisee becomes a party to an essentially one-sided contract. In the study by Stanworth (1991), the assessment of the franchisee's autonomy and independence at the formal (i.e., contractual and legal aspects) level shows that some of the provisions in the contract closely limit the franchisee's freedom of action. For example, one stipulated that the franchisee:

“Will conduct his franchised ... business in all respects as shall be *laid down by the Company from time to time in the Manual or otherwise*. The franchisee will keep the copy of the Manual in his possession up to date with all variations thereto which the Company may make” (Stanworth, 1991: 189).

Similarly, Felstead's (1991: 43) analyses of the contractual relationship between the franchisor and the franchisee based on a survey of franchise contracts, and case study

material, also show that without exception, all of the contracts examined provided a business format stipulating that the franchisee:

“Will operate ... in accordance with the standards, specifications and procedures set out in the Manuals”.

In other words, franchisees are bound to franchisors by a number of contractual clauses. Felstead's (1991) analyses further show that franchisees were found to be occupying an ambiguous position in three respects:

- franchisees are required to operate within laid down procedures which are often subject to unilateral change, even though they operate without close and direct supervision. Moreover, franchisees are often committed to adhere to franchisor-set performance targets, and to give the aim of the franchisor primacy in the running of the business;
- franchisees appropriate the profits generated by the business, only after they have made turnover-related payments to their franchisor; and
- although franchisees buy or lease much of the physical business apparatus, certain parts remain in the hands of the franchisor, and some are subject to franchisor-imposed restrictions on their use, both during and after the currency of the agreement. Moreover, franchisees have no ownership rights in the intangible business assets (intellectual property rights, 'know how' and the like). They simply 'borrow' the business idea and format.

However, Fulop (2000) argues that the balance of power in the franchisor-franchisee relationship is not as one-sided as it is often portrayed. There are several sources of franchisee power, which are often underestimated. For example, franchisors:

- are dependent upon their franchisees to operate as stipulated, to implement changes in operation, and not to bring the franchisor's name to disrepute;

- may be reluctant to challenge disgruntled franchisees for fear of provoking court cases, adverse publicity and increased legislation;
- in many networks, the growth of multi-unit and area franchises has enhanced franchisees' power, just as the widespread introduction of Franchise Advisory Councils (FACs) during the past decade, especially in the U.S. The FACs have strengthened the power of franchisees in instances where potential areas of disagreement arise, such as changes in products, operating methods and territory size.

The debate over the balance of power in the franchisor-franchisee relationship is related to the fact that franchisors have to monitor franchisees in order to ensure consistency of franchise formats and to ensure that standards are maintained. This is because the concept of franchising itself is built on uniformity. As a result, the essence of so many franchise systems is to ensure standardisation and identical formats among all franchisees (Price, 1997).

2.4.2 The Debate over Standardisation versus Local Adaptation

Franchises are fundamentally based on a 'proven' and 'tried-and-tested' recipe for business success (Stanworth *et al.*, 1996). Therefore, business format franchising operates on the principle of replicating a standardised tried and tested business format, which is based around a trade name/ trademark product or service, in different localities (Kaufmann and Rangan, 1990; Julian and Castrogiovanni, 1995; Stanworth *et al.*, 1996). Standardisation and uniformity are vital in franchise operations in order to ensure the successful implementation of a franchise format, repeat customer patronage, a consistent brand image and stability across markets (Kaufmann and Rangan, 1990; Falbe and Dandridge, 1992; Dandridge and Falbe, 1994; Michael, 1996; Stanworth *et al.*, 1996; Price, 1997). Moreover, chains require standardised operations because the efficiencies

that accrue from standardisation generate their competitive advantage over stand-alone rivals (Norton, 1988a).

While there are pressures for standardisation, a general consensus also exists that the conditions in various localities where firms operate are different. These variations create pressures for local adaptation, as firms try to maximise their fit with the local environment (Bartlett and Ghoshal, 1989; Lemak and Arunthanes, 1997; Nohria and Ghoshal, 1997). Pressures for local adaptation generally occur as a result of basic market differences (Douglas and Wind, 1987; Prahalad and Doz, 1987; Kaufmann and Eroglu, 1999), different cultures (Lemak and Arunthanes, 1997), different consumer preferences and needs (Douglas and Wind, 1987; Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989; Kashani, 1989; Lemak and Arunthanes, 1997), differences in labour markets (Cox, 2002), and differences in income (Kaufmann and Eroglu, 1999). These factors reduce the benefits of extensive standardisation (Jain, 1989) and create difficulties for standardised products and strategies. Hence, the lack of a product/ market fit constitutes the strongest argument against standardisation within domestic markets (Kaufmann and Eroglu, 1999). As noted by Cox (2002), the demands of local markets could create opportunities for franchisees to seek adaptation and innovation of the format in order to ensure successful and competitive local unit operations. The overriding benefit of local market adaptation is, therefore, increased revenues through better fit, and such benefits will accrue primarily to the franchisee who is deviating from the system standards to better serve the local market (Kaufmann and Eroglu, 1999). On the other hand, although the primary advantage of standardisation is in the area of cost minimisation for most franchisors (and even franchisees) (Kaufmann and Eroglu, 1999), standardisation will not give rise to an

optimum profit, as the increased need for internal coordination may be extremely costly, and the cost savings may not outweigh the lost profit (Bartlett and Ghoshal, 1989). Hence, to produce an optimum profit, there is need for responsiveness (Bartlett and Ghoshal, 1989) by adapting to local preferences and conditions.

However, one of the most difficult issues faced by franchisors is deciding where necessary standardisation ends and where efficient local adaptation begins, and when local adaptation becomes damaging to the system (Kaufmann and Eroglu, 1999). As observed by Kaufmann and Eroglu (1999: 70): “To succeed in its role as creator, builder, and guardian of its business format, the [franchisor] must resolve the constant, yet evolving, tension between the two strategic imperatives of standardisation and adaptation”, i.e., maintaining the required level of uniformity for the system to obtain economies of scale, while also avoiding the danger of stifling efficient local market adaptation. It has been difficult to determine which approach is most appropriate with the mixed empirical results (Sorenson and Weichmann, 1975; Samiee and Roth, 1992; Szymanski *et al.*, 1993) documented in the literature. Nevertheless, it seems that a general consensus has been developed among researchers that both standardisation and local adaptation are needed (Bartlett and Ghoshal, 1989). But how can the franchisor determine what must be standardised and what must be adapted to local conditions? The answer to this lies in an understanding of the various elements of the business format, as identified by Kaufmann and Eroglu (1999).

Business Format Components

As highlighted in Section 2.2, franchising involves a contractual relationship between the franchisor and the franchisee, with the rights and obligations to copy the franchisor's market-tested business, licensed to the franchisee. A franchise may centre on a product or service, and may or may not be a location-specific-based operation. The franchisor will provide the franchisee with the blueprint of the business including the support systems to implement and operate the business. The format also involves access to sources of supply, as well as specified equipment and detailed operating instructions. Overall, therefore, the business format is comprised of various elements that divide into four distinct components: product/ service deliverables, benefit communicators, system identifiers, and format facilitators (Kaufmann and Eroglu, 1999).

‘Product/ service deliverables’ define the franchise concept. They are the collection of unique features (e.g., a unique menu and the quality of the food in a restaurant franchise, or the quick preparation of customers’ printing needs in a fast print franchise (Cox, 2002)) that comprises the franchise format and gives the format its competitive niche in the market place. Collectively, they are referred to as the ‘concept’ of the business.

‘Benefit communicators’ imply the existence of intangible or unobservable benefits to the customer. They are elements that make the intangible, tangible. Thus, they serve as observable, surrogate indicators for attributes that, although important for consumer image development and decision-making, are difficult to measure directly and objectively. Quality, durability and elegance are examples of attributes that are not readily observable or measurable by consumers.

‘System identifiers’ are the set of visual and auditory elements that link the individual outlet with a system or chain. As identified by Kaufmann and Eroglu (1999), the most obvious and easily identifiable elements of this component are the trade name, trademark, or logo of a firm, but also included are colour schemes, architectural features, and uniforms, among others.

‘System facilitators’ are the policies and procedures that enable the format to function efficiently at both the individual outlet level and the system level. The system facilitators define the organisation, operation, and governance of the franchise system. They are the managerial and operational infrastructure necessary for format implementation. They cover unit-level elements such as unit layout and design, and specification of equipment, as well as system-level elements such as financial reporting requirements, royalty payment procedures, and data collection. Unlike the elements of the first three components, these are essentially invisible to the consumer except through their indirect effect on other components.

Core and Peripheral Elements of the Format Components

Kaufmann and Eroglu (1999) argue that not all elements that make up each of the four format components are equal in terms of their importance and centrality. For example, with the system identifier component, the trademark or trade name will be clearly more important than the colour scheme of a unit. Also, with the product/ service deliverable component, quick service in a fast-food franchise is clearly more important than the existence of a playscape for the children. Hence, Kaufmann and Eroglu (1999: 72) made a distinction between the ‘core’ and the ‘peripheral’ elements of each format component:

“ ... core elements [are defined] as those whose standardisation must be enforced across all franchisees without exceptions since they are deemed indispensable for the system's survival. In contrast, peripheral elements are those where the franchisor must balance the system-wide benefits of standardisation against the benefits of adaptation to the idiosyncrasies of local demand”.

Whilst the core elements require standardisation irrespective of the benefit from adaptation, the peripheral elements require a balancing test to determine whether the benefits from either standardisation or local market adaptation dominate. Sometimes what is core to one franchise system may be peripheral in another system. For example, the franchisors' formats for both a donut shop and a convenience store franchise may include selling fresh donuts. Fresh donuts are certainly one of the core elements of the donut shop franchise, whereas, they may be just a peripheral element of the convenience store concept. Figure 2.4.2 shows examples of the 'core' and 'peripheral' elements of each format component.

Fig 2.4.2
 Examples of Format Component Elements Relative to Centrality

Format Components Centrality	<i>Product/ Service Deliverables</i>	<i>Benefit Communicators</i>	<i>System Identifiers</i>	<i>System Facilitators</i>
<i>Core</i>	Basic menu Accuracy of work	Clean uniforms Professional certification	System name Trademark Logo	Sales reporting procedure Operation manuals
<i>Peripheral</i>	Hours of operation Parking	Mint on pillow Display of professional certificates	Colour scheme Décor of unit	POS equipment Local advertising

* It should be noted that what might be peripheral in one system could be core to another
 SOURCE: Kaufmann and Eroglu (1999)

Figure 2.4.2 reveals that identification of the core and peripheral elements has important implications for understanding a franchisor’s standardisation strategies. Right from its onset, franchising has been rooted on the notion that uniform practices and products across all franchisees benefit the system as a whole. As discussed earlier, while the attraction and necessity of standardising the core elements of a business format are obvious, circumstances that call for adaptation of the peripheral elements may also arise over the life cycle of the franchise system. In fact, there may be circumstances or factors which call for adaptation of even the core elements of the format components, if the overriding benefit of modification produces increased revenues or better product/ service market fit (Cox, 2002).

2.5 Chapter Summary

The themes discussed in this chapter reveal the basic nature of the franchise concept. Although different definitions of franchising abound, essentially, “franchising is an organisational form in which a company grants an individual or another company the right to do business in a prescribed manner over a certain period of time in a specified place in return for royalties or the payment of other fees” (Elango and Fried, 1997: 69).

The purpose for franchising includes the explanations for the existence of franchising from the franchisor’s and the franchisee’s perspectives. The explanations from the franchisor’s viewpoint relate to two different constraints (resource scarcity and agency costs) that act upon the firm and limit growth (Hopkinson and Hogarth-Scott, 1999). Each explanation has very different implications for the present study. *Resource scarcity theory* identifies the internal resource constraints faced by firms (Hopkinson and Hogarth-Scott, 1999). According to this theory, firms initially franchise because they lack the resources for expansion. Such resources are not only financial (capital scarcity) but may also include managerial, knowledge-based, or organisational (Alon *et al.*, 2004). *Agency theory*, on the other hand, postulates that firms franchise to minimise monitoring and shirking costs. This theory is relevant to a broad spectrum of issues pertaining to the contractual relationship between an agent and a principal (Eisenhardt, 1989; Elango and Fried, 1997), and is useful in situations where two parties are interdependent and cooperative, but rationally may pursue different and contradictory goals (Lasser and Kerr, 1997).

From the franchisee’s perspective, empirical surveys conducted on the reasons why individuals become franchisees indicate that the motivation to become a franchisee

is related to the broader decision to become self-employed. The reasons for entering franchising include the access to an established business and known trade name, the advantage of utilising the franchisor's support system and help with such things as marketing, accounting procedures and business know-how, as well as the perception that individuals will have an opportunity to gain personal independence and autonomy.

Since franchising is an avenue to self-employment for franchisees, it raises the issue of the scope for independent action and constraints on decision authority. Although some studies show that decision making is partitioned between the franchisor and the franchisee (e.g., Michael, 1996) a number of studies suggest that the franchisor has unilateral control over the franchisee (Stephenson and House, 1971). This argument is related to the fact that the franchising concept is built on uniformity. As a result, the franchisor's interest is in closely monitoring the activities of franchised outlets in order to ensure that standards of service and efficiency are maintained.

Given the fact that franchising is based strongly on the notion of standardisation, uniformity and consistency, it is of interest to know if (and how) franchising is related to entrepreneurship (a concept that requires flexibility). In the following chapter, an overview of the entrepreneurship concept is provided as it is difficult to establish whether franchising is entrepreneurial in the absence of a clear understanding of the field of inquiry.

Chapter 3

Overview of Entrepreneurship

3.1 Introduction

Before attempting to relate franchising to entrepreneurship, it is important once again to define the operational boundaries of the field of inquiry (Desman, 2002). Entrepreneurship is a relatively young academic field in the early stages of its developmental cycle, and this creates problems in defining the field and the scope of its research (Kruger, 2004). Selecting an appropriate basis for defining and understanding entrepreneurship produces a challenging problem for academic researchers. This is due to the fact that there is an existence of diverse schools of thought that view entrepreneurship from fundamentally different perspectives (Kruger, 2004). This is similar to franchising in this respect, two relatively young disciplines that are difficult to define.

Despite the attempt made by several researchers (e.g., Low and MacMillan in 1988) towards achieving clarity in the field of research and to define possible directions for the future, more than ten years later, Shane and Venkataraman (2000) used the word 'hodgepodge' to describe the current situation of entrepreneurship studies. There is still no agreement among researchers and practitioners about what precisely entrepreneurship is. Yet, the need for clarity about the concept of entrepreneurship is growing in order to attain a legitimated field of inquiry (Sciascia and De Vita, 2004).

Given the current state of the literature, an overview of the field could be a useful starting point for developing a distinguishing conceptual framework for the entrepreneurship field. In order to understand the essence of the phenomenon, this chapter examines the different views on what entrepreneurship entails and proposes a definition that would be utilised for the purpose of the present study. This is in agreement with Bruyat and Julien's (2000) suggestion that good science starts with good definitions, and a minimum level of consensus is needed on the definition of what the field is and what it is not (Kruger, 2004).

3.2 Definitional Debate

The definition of entrepreneurship has been debated among scholars, educators, researchers, and policy makers as far back as the concept was first established in the early 1700s (Anderson, 2002). The number of definitions of entrepreneur and entrepreneurship that have been provided in extant literature is daunting (Carton *et al.*, 1998); Gartner (1989: 48 & 57) outlined thirty-two different definitions in order to show that:

- (1) ... many (and often vague) definitions of the entrepreneur have been used (in many studies the entrepreneur is never defined);
- (2) there are few studies that employ the same definition;
- (3) ... lack of basic agreement as to 'who an entrepreneur is' has led to the selection of samples of 'entrepreneurs' that are hardly homogeneous ...
- (4) ... a startling number of traits and characteristics have been attributed to the entrepreneur, and a 'psychological profile' of the entrepreneur assembled from these studies would portray someone larger than life, full of contradictions, and,

conversely, someone so full of traits that (s)he would have to be a sort of generic 'Everyman'.

The contradictory set of definitions of entrepreneurship can be attributed to many factors including the complex nature of the phenomenon; entrepreneurship is a multifaceted phenomenon and cuts across many disciplinary boundaries (Kaufmann and Dant, 1999). Consequently, the definitions have been provided by researchers operating in heterogeneous fields (e.g., management, economics, sociology, marketing, finance, history, psychology, anthropology, etc.) with divergent terms of reference and purposes (Sciascia and De Vita, 2004). As noted by Kaufmann and Dant (1999), entrepreneurship researchers have generally pursued a wide range of goals, implemented different units of analysis, and adopted different theoretical perspectives and methodology.

However, two clearly differentiated research approaches, the traits and the behavioural perspectives, exist in the literature, which, in turn, have led to different views on what entrepreneurship is (Gartner, 1989). The traits perspective involves theories that associate entrepreneurship with an individual (Cope, 2003), and the focus of this personality perspective is on identifying the traits and personal characteristics that differentiate entrepreneurs from non-entrepreneurs (Boyd and Vozikis, 1994; Carton *et al.*, 1998). On the other hand, the main aim of the behavioural perspective is to discern the 'entrepreneurial process', defined by Bygrave and Hofer (1991: 14) as "the functions, activities, and actions associated with the perceiving of opportunities and the creation of organisations to pursue them".

3.2.1 The Traits Approach

A substantial body of research in the entrepreneurship field has been dominated by the desire to define the entrepreneur through the identification of entrepreneurial traits (Cope, 2003). The persistence in the search for special traits is understandable, since quite often, entrepreneurs seem like special people who achieve things that most people do not achieve. As a result, it is often assumed that these achievements must be based on some special inner quality (Gartner, 1988). From the traits approach, the entrepreneur (i.e., the individual), therefore, represents the basic unit of analysis and the entrepreneur's traits and characteristics are seen as the key to explaining the entrepreneurship phenomenon (Gartner, 1989). The main premise of this trait-based perspective is the notion that certain individuals possess a unique set of inherent, stable and enduring personality characteristics that enable them to engage in entrepreneurial activity (Greenberger and Sexton, 1988), and these traits are perceived to be permanent and consistent across time and context (Cope, 2003).

Some of the notable definitions in the literature stressing the characteristic traits, or qualities, supposedly possessed by entrepreneurs, which the researcher adapted from the study by Kaufmann and Dant (1999) include:

- An entrepreneur is an individual who possesses qualities of risk-taking, leadership, motivation, and the ability to resolve crises (Leibenstein, 1968).
- Entrepreneurs are leaders and major contributors to the process of creative destruction (Schumpeter, 1942).
- An entrepreneur is an individual who undertakes certain investments and possesses an unusually low level of uncertainty aversion (Knight, 1921).

However, various individual characteristics or traits of the entrepreneur have been identified in the literature and there is no agreement on the specific number of traits that an entrepreneur must have (Kirby, 2003). Nonetheless, the exact numbers of traits are irrelevant for the purpose of this study. What is of interest is the identification of the type of attributes that characterise the entrepreneur. Indeed, Kirby (2002) suggested that if Lessem's (1986) argument is espoused, then, in all probability, there is no such thing as an archetypical entrepreneur, i.e., there is no single individual who displays, in equal degree, the full range of entrepreneurial attributes. Instead, it is more likely that there are different types of entrepreneur, with each having a different personality type and set of attributes and behaviours. This premise is supported in the study by Timmons *et al.* (1985), where they concluded that it appears that there is no single set of characteristics that every entrepreneur must have. Hence, the traits most frequently cited as being characteristic of entrepreneurs in the literature include the need for achievement (McClelland, 1961; Begley and Boyd, 1987), risk taking propensity (Wilken, 1979; Brockhaus, 1980; Begley and Boyd, 1987), desire for autonomy (Caird, 1991; Cromie and O'Donoghue, 1992), locus of control (Rotter, 1966; Brockhaus, 1975; Shapero, 1975; Brockhaus, 1980), and creativity (Wilken, 1979). It would seem, then, that while it may be impossible to define, specifically, what an entrepreneur is, it may be possible to identify one (Kirby, 2002).

Despite the considerable attention received by the traits approach, debate about the appropriateness of defining entrepreneurship by describing the entrepreneur's personality traits still exists (Low and MacMillan, 1988; Gartner, 1990; Ucbasaran *et al.*, 2001; Galloway and Wilson, 2003). Gartner (1989) notes that when certain psychological

traits are carefully evaluated, it is not possible to differentiate entrepreneurs from managers or from the general population, based on the entrepreneur's supposed possession of such traits. Moreover, by focusing solely on the person of the entrepreneur, the traits approach remains one-dimensional and unable to capture the entrepreneurship phenomenon to the full extent (Maes, 2003). Since these approaches tend to focus too heavily on one or more personality traits, they tend to underplay the role and importance of a myriad of important external structural influences, thereby, making the economic activity of the entrepreneur too much a function of personality (Hisrich, 2000).

In spite of the disappointing findings and deep dissatisfaction with attempts to identify psychological characteristics of entrepreneurs, a number of researchers (e.g., Hisrich, 2000; Johnson, 2001) suggest that the study of entrepreneurship through psychological approaches will, and should, continue. Though not totally upholding the traits approach *per se*, Bruyat and Julien (2000) suggest that such studies are highly legitimate, and the results would naturally be of interest to researchers in the field of entrepreneurship. In view of the crucial role played by individuals in the process of entrepreneurship, it is important to recognise people with a greater proclivity to behave entrepreneurially (Cromie, 2000).

In order to identify an entrepreneurial personality profile successfully, the suggestion put forward by authors such as Cromie (2000) is that it is necessary for researchers to reach a consensus on the constellation of relevant traits, which can be used to distinguish between 'the heterogenous mass of business owners', and between the more and less enterprising people in many walks of life. In addition to this, there should be an agreement on the most useful instruments for this task (Cromie, 2000). While not

totally in support of the traits approach, this view was reiterated in the study by Davidsson (2003) where the author notes that to some extent, personality has 'bounced back' both in psychology proper and in entrepreneurship research, showing that with better conceptualisations, sampling and measurement, stronger results can be obtained.

As noted by Llewellyn and Wilson (2003), three particular studies have shown the role of some specific personality traits in conceptualising, measuring and predicting entrepreneurship. First is the study by Johnson (2001); in this study, the author examined the evidence that there might be a link between entrepreneurship and achievement motivation based on an overview of 23 studies published between 1961 and 1989. These studies included both psychometric and projective techniques, as well as a variety of sample types including students, entrepreneurs of various kinds, and managers. In spite of these differences, Johnson (2001) found that 20 out of the 23 studies were in the expected direction and statistically significant ($p < .05$). "This review of the literature suggests that the study of psychological traits and motives should be continued, but that these variables should be more precisely operationalised, measured with valid instruments, and included as one dimension in theory-driven, multidimensional research models of entrepreneurship" (Johnson, 2001: 39).

In the second study by Stewart and Roth (2001), the authors conducted a meta-analytic review of the differences in risk taking between entrepreneurs and managers, and included 12 studies published between 1980 and 1999. In all of these studies, psychometric measures were employed, and they included various sample types such as small-business owners, growth-orientated founders, midlevel managers and immigrant founders. Stewart and Roth concluded that the risk propensity of entrepreneurs is indeed

higher than that of managers, and this is especially the case with entrepreneurs whose main objective is venture growth rather than producing a family income. They suggest that conflicting results are frequently reported on the basis of a narrative review as sample sizes are often inadequate for statistical power, and a substantial amount of the variance in results may, therefore, be due to sampling error. They note that this has also been aggravated by measurement difficulties, and in particular they criticise the validity of the Kogan-Wallach Choice Dilemmas Questionnaire (CDQ), a questionnaire which requires the respondent to give advice with respect to the level of risk one should take in pursuing a desired goal.

Thirdly, Rauch and Frese (2000) examined the relationship between achievement motivation, locus of control, risk taking and entrepreneurship. They analysed possible differences between entrepreneurs and managers and non-founders, in 5 studies from 1983 and 2000. The findings show a small but statistically significant relationship (weighted mean $r = .21$, $p < .01$). Similarly, when 6 studies from 1979 to 1996 were examined, entrepreneurs were found to be higher in locus of control (corresponding to a more internal locus) than non-entrepreneurs (weighted mean $r = .13$, $p < .01$). They also reported that successful entrepreneurs were higher in achievement motivation (weighted mean $r = .13$, $p < .01$) as estimated from 6 studies from 1986 to 1999, and locus of control (weighted mean $r = .11$, $p < .05$) as estimated from 6 studies from 1980 to 1999. However, only a very weak negative relationship was observed between risk taking and entrepreneurial success (weighted mean $r = -.08$, $p < .05$), as estimated from 6 studies from 1986 to 1999, and Rauch and Frese suggest that this may be due to a non-linear relationship or differences in risk perception.

What all these studies have shown is that, although it remains a matter of debate whether robust entrepreneurial traits can be identified, an opportunity exists for real progress to be made by researchers with a commitment to conceptual clarity, methodological appropriateness and scientific rigour (Llewellyn and Wilson, 2003). This should comprise a body of high quality research that is built up using valid techniques and strong research designs. If psychometric measures are used, researchers should ensure that the measures are reasonably reliable (Cronbach alpha coefficients of $> .7$) and have satisfactory evidence of construct validity, in order to be confident that they are effective measures of the main personality traits (Llewellyn and Wilson, 2003).

A notable established instrument for assessing entrepreneurial traits is the Durham University General Enterprising Tendency (GET) Test, developed from the work of Johnson and Caird (1988). The GET test measures the respondent's propensity to take risks, creative tendency, need for achievement, need for autonomy and internal locus of control. The test consists of 54 statements that require an 'agree' or 'disagree' response, and responses must be one or the other. 'Correct' responses score one point, giving a maximum possible score of 54. According to Cromie (2000: 22), "the GET test is comprehensive, accessible, easy to administer and score, ... , [the test] has criterion and convergent validity and good internal consistency". The GET test would be utilised in the present study in order to assess the entrepreneurial tendencies of franchisors and franchisees, its application for the purpose of the study is discussed in detail in Chapter 5. The test has also been utilised in previous entrepreneurship studies (e.g. Caird, 1991; Kirby, 2004).

Hence, the entrepreneur continues to be a worthy research subject (Cope, 2003), and the traits and characteristics approaches to defining entrepreneurship have developed the examination of what comprises an entrepreneur (Galloway and Wilson, 2003). Nevertheless, the traits approach alone is inadequate to explain the entrepreneurship phenomenon (Gartner, 1989); the actions of the entrepreneur must also be studied whenever the personality of the entrepreneur is being investigated (Utsch and Rauch, 2000).¹ A proper understanding of entrepreneurs and their ventures requires criteria from each facet of the overall process: entrepreneur's personal characteristics, their means of identifying opportunities, their methods of acting and managing, and their mechanisms for adapting (Cunningham and Lischeron, 1991).

3.2.2 The Behavioural Approach

Weaknesses of the traits approach discussed above have led entrepreneurship researchers to consider a second approach (Maes, 2003). This is the so-called behavioural approach, which was first proposed by Gartner in 1985 (Cope, 2003). The emergence of the behavioural perspective was partly as a result of the 'inherently futile' search for the elusive entrepreneurial personality (Cope, 2003). From this perspective, entrepreneurship is viewed as the process of creating new organisations (Gartner, 1989). In contrast to the traits approach, here, the organisation being created ('the project') is treated as the primary level of analysis, and the individual is viewed in terms of activities undertaken to enable the project to come into existence (Maes, 2003). The personality characteristics of

¹ As a result of the limitations of the simple trait theories approach, there has been a shift in entrepreneurship research towards the use of more cognitive theories. With the use of cognitive research, the emphasis has shifted from studying the personality of the entrepreneur to studying the situations that lead to entrepreneurial behaviour (Kirby, 2003).

the entrepreneur are thus ancillary to the entrepreneur's behaviours (Cope, 2003; Maes, 2003). Consequently, Gartner (1988; 1989) argues that research should concentrate on what entrepreneurs do and not who they are. Unlike the simplistic traits approach, which profiles human potential in a fixed way and, as such, ignores the dynamic nature of entrepreneurs and their behaviours (Caird, 1991b), the complexity of entrepreneurship becomes increased under the behavioural approach since the creation of an organisation is a very complicated and intricate process (Gartner, 1989).

However, even within the behavioural approach, reaching a consensus on the definition of entrepreneurship remains problematic. Maes (2003) illustrated this argument with a few definitions of entrepreneurship proposed within the behavioural perspective (See Table 3.2.2). This Table shows that there is considerable variation in the locus of entrepreneurship (i.e., where entrepreneurship is taking place). Kanter (1985), Schuler (1986), Stevenson and Jarillo (1990), Krueger and Brazeal (1994), and Shane and Venkataraman (2000) either leave the locus issue open for interpretation, or state explicitly that entrepreneurship can occur in both newly forming and existing businesses. On the other hand, Gartner (1985; 1989), Kouriloff (2000) and Low (2001) restrict entrepreneurship to a process taking shape in new organisations, while Miller (1983) and Jones and Butler (1992) link entrepreneurship with actions of existing firms.

Table 3.2.2
Entrepreneurship: Definitions

Source	Definition of Entrepreneurship
Miller (1983)	A firm’s actions relating to product-market and technological innovation
Kanter (1985)	The creation of new combinations
Gartner (1985; 1989)	The process of new venture creation; the process by which new organisations come into existence
Schuler (1986)	The practice of creating or innovating new products or services within existing businesses or within newly forming businesses
Stevenson & Jarillo (1990)	The process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control
Jones & Butler (1992)	The process by which firms notice opportunities and act to creatively organise transactions between factors of production so as to create surplus value
Krueger & Brazeal (1994)	The pursuit of an opportunity irrespective of existing resources
Kouriloff (2000)	The process of creating a new venture
Shane and Venkataraman (2000)	The discovery, creation and exploitation (including by whom and with what consequences) of opportunities to bring into existence future goods and services
Low (2001)	The creation of a new enterprise

SOURCE: Maes (2003)

Further, there is considerable variation in the object of pursuit in the process of entrepreneurship. Gartner (1985; 1989), Kouriloff (2000) and Low (2001) state that the formation of a new organisation, or venture, is the ultimate aim of entrepreneurship.

Entrepreneurship ends once the formation process is completed. Gartner (1989) suggests that relating entrepreneurship to innovation only serves to increase the ambiguity in what already is a definitional dilemma. Opposing this view, Miller (1983), Kanter (1985) and Schuler (1986), explicitly associate entrepreneurship with innovation; while others (Stevenson and Jarillo, 1990; Jones and Butler, 1992; Krueger and Brazeal, 1994; Shane and Venkataraman, 2000) avoid this discussion by stating that entrepreneurship concerns the noticing and pursuing of opportunities.

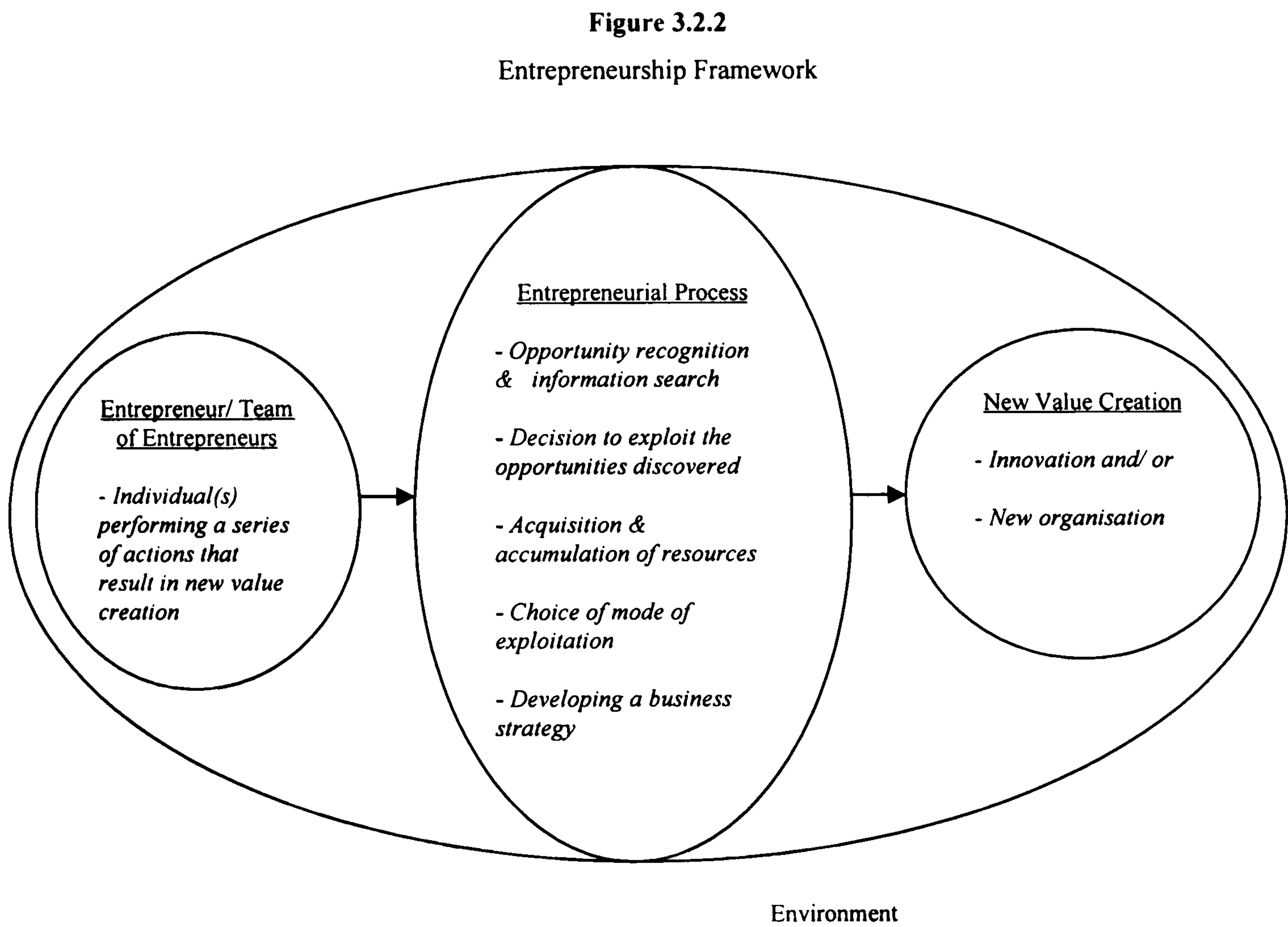
Moreover, although within the behavioural approach, entrepreneurship is generally accepted as a multidimensional construct, researchers have different views about the number of process components constituting entrepreneurship. For instance, Gartner (1989) views entrepreneurship as the nexus of two components (the individual and the organisation being created). Shane and Venkataraman (2000), however, consider entrepreneurship to be a combination of three components (the individual, the process, and the opportunity). It is obvious that there is still considerable variation in the views about what constitute entrepreneurship, as the behavioural approach has not led to agreement among researchers. In the absence of a universally accepted definition, it is necessary for every author to state clearly what is meant when the term entrepreneurship is used (Bygrave and Hofer, 1991).

For the purpose of this study, entrepreneurship is viewed as the process of creating new value, as proposed by Maes (2003). Although entrepreneurship is often equated with new venture creation (Kirby, 2003), this definition differs slightly from the one proposed by Gartner (1985) that 'entrepreneurship is the creation of new organisations'. Maes (2003) argues that this new value creation does not necessarily have to lead to a new

organisation. For instance, creating new business in an existing company by introducing a new product can also be regarded as new value creation. Bruyat and Julien (2000) stressed the importance of including the element of new value creation in a definition of entrepreneurship because entrepreneurship is concerned with a process of change, emergence and creation: creation of new value. This is in agreement with Kirby's (2002) view that entrepreneurship is about 'making a change' and in no way should it be equated solely with new venture creation. As recognised by Kao (1997: 237-8), the concept is about "making a change" and "even those who relate entrepreneurship with business undertakings have noted that only those who innovate and develop new combinations are entrepreneurs" (cited in Kirby, 2003). Moreover, this broad perspective on new value creation is consistent with the suggestion by Shane and Venkataraman (2000) to consider the variation in entrepreneurial opportunities that can be identified. Even Gartner (1989: 62) notes that "'*entrepreneurship is the creation of new organisations*' is not offered as a definition, but rather, it is an attempt to change a long held and tenacious viewpoint in the entrepreneurship field" from a focus on looking at 'who the entrepreneur is' (as in the traits approach) to looking at 'what the entrepreneur does' (as in the behavioural approach).

The definition in use in the present study does not try to give an explicit definition of entrepreneurship, as this would only add to the profound disagreement that already exists on this issue. Rather, the definition aims at mapping the entrepreneurship field by describing its components (Maes, 2003). This is consistent with the suggestion made by Hoy and Verser (1994) that bridging a definitional gap can be achieved in two ways: (1) operationalising the terms used in empirical studies, and (2) defining a term by describing

its domain. Based on inspirations from previous studies (in particular, Gartner, 1989; Bruyat and Julien, 2000; Ucbasaran *et al.*, 2001; Maes, 2003) a framework for the distinctive domain of entrepreneurship research is presented in Figure 3.2.2. This framework attempts to describe the main components constituting entrepreneurship: the entrepreneur/ team of entrepreneurs, the entrepreneurial process, new value creation (NVC), and the environment.



SOURCE: Adapted from Maes (2003)

The Entrepreneur/ Team of Entrepreneurs

The importance of recognising the individual as a vital element in the creation of new value is emphasised by Bruyat and Julien (2000). The entrepreneur is the individual responsible for the process of creating new value. Certainly, entrepreneurs are not the only ones to create new value for society through venture creation. In the legal sense of the term, or through innovations of different kinds. Nevertheless, they create a large percentage of new value that is considered to be necessary for the proper operation of the economic system.

However, most studies focus mainly on entrepreneurship as an activity, or process, pursued by one individual. Yet, entrepreneurship can also be undertaken by a set of people who go through the process either independently or collectively (Maes, 2003). This implies that value creation sometimes originates from a team, not a single individual. Since this framework relates to the behavioural view of entrepreneurship, the role of the entrepreneur, or team of entrepreneurs, involves a series of activities, actions or behaviour undertaken to enable the creation of new value (Maes, 2003).

The Entrepreneurial Process

The creating process involves several steps (Gartner, 1985; Shane and Venkataraman, 2000; Ucbasaran *et al.*, 2001; Maes, 2003). The process begins with the discovery and recognition of business opportunities and with information search. From the definitions of entrepreneurship, it is clear that the pursuit of opportunities is central to entrepreneurship (Spinelli *et al.*, 2004). Opportunities call for new goods, services, raw materials and organising methods, offering profit potential through the creation of new

ventures or significant improvement of existing ventures (Van der Veen and Wakkee, 2002).

The next step in the creation process is the decision to exploit the opportunities discovered, followed by the acquisition and accumulation of resources (Gartner, 1985; Shane and Venkataraman, 2000; Ucbasaran *et al.*, 2001). In this stage, the entrepreneur becomes increasingly committed to pursue the opportunity and starts bringing resources under his control (Van der Veen and Wakkee, 2002).

Finally, choosing the mode of exploitation (Shane and Venkataraman, 2000) and developing a business strategy (Ucbasaran *et al.*, 2001) complete the creating process (Maes, 2003). Opportunities can be exploited through new venture creation or within existing organisations; the 'choice' depends on perceived feasibility and desirability within both contexts (Van der Veen and Wakkee, 2002). Also, the development of business strategy according to Gartner (1985) involves behaviours such as producing and marketing the product or service, building an organisation and responding to government and society.

Although in Figure 3.2.2, the entrepreneurial process appears to be linear and sequential in nature, it is in fact, iterative and dynamic (Van der Veen and Wakkee, 2002).

New Value Creation (NVC)

NVC is the outcome of a series of actions in order to adopt a process, product or service new to the organisation (Maes, 2003). It is necessary to include the outcomes of the entrepreneurial process in the entrepreneurship framework because the outcomes form

inputs for further entrepreneurial behaviour (Van der Veen and Wakkee, 2002). Indeed, Desman (2002) suggests that ‘entrepreneurship creates more entrepreneurship’ because the presence of entrepreneurial activity is the best stimulus for further entrepreneurial activity. This point supports the view taken in the present study that entrepreneurship is a reiterative process that does not end with the creation of a specific type of new value, as documented by Maes (2003). This is in contrast to Gartner’s (1989) suggestion that entrepreneurship stops when the organisation has been created. Instead, having completed one type of new value creation, it is possible to start a new one.

But what is value and where does value come from? Instead of taking up this old debate, Bruyat and Julien (2000) suggest that researchers can take the stance of the neoclassical economists, for whom value is expressed only through exchange, and therefore through the price established in a market. Thus, an exchange process establishing a price in a market shapes the value dimension of NVC (Maes, 2003). Van der Veen and Wakkee (2002) argue that at the end of the transition phase the opportunity will have been transformed into a concrete offering. This offering is a solution to the market need as recognised by the entrepreneur in the opportunity recognition process. At this point, the entrepreneur thinks about his intended customers, selling price, and outlets. These will lead to concrete exchange with the market, resulting in value creation.

In view of the focus of this study, this research aims at exploring innovation as a particular type of newly created value (Maes *et al.*, 2005). The study focuses on five different types of innovations adopted from Johannessen *et al.* (2001). These are the:

- (1) introduction of new products;
- (2) introduction of new services;
- (3) introduction of new methods of production/ operation;
- (4) opening of new markets; and
- (5) introduction of new sources of supply.

Although a number of studies have suggested that innovations should be classified according to whether they are technical or administrative, or process- versus product-oriented (e.g., Utterback and Abernathy, 1975; Dosi, 1988; Teece, 1989; Damanpour, 1996), making such distinctions result in an unnecessary fragmentation of innovation (Van de Ven, 1986; Nohria and Gulati, 1996). As such, the method used by Johannessen *et al.* (2001) makes it possible to consider a broad array of innovative activities. It does not focus too narrowly on elements such as ‘how highly technical an innovation is’.

The different types of innovative activities outlined by Johannessen *et al.* (2001) were adopted and deduced from Schumpeter (1934; 1939; 1942) and Kirzner (1976; 1985), but have also been used separately by a number of researchers (e.g., Utterback and Abernathy, 1975; Damanpour and Evan, 1984; Damanpour, 1996; McGrath *et al.*, 1996). As such, innovation as used in this study follows the concept originally set out by Schumpeter (1934). These varieties of innovative activities are consistent with Sharma and Chrisman’s (1999: 19, emphasis added) view that ‘to be entrepreneurial *in the absence* of organisational creation or renewal, the innovation *must* be of the Schumpeterian (1934) variety ...’.

Environment

Entrepreneurs do not operate in vacuums, they respond to their environments (Gartner, 1985). Van der Veen and Wakkee (2002) note that, on the one hand, the environment, itself, is a source of opportunities. The prospective business entrepreneur experiences, or is introduced to, a gap in the market, or a need, that has been previously ignored or underserved (Spinelli *et al.*, 2004). On the other hand, the business entrepreneur also shapes the environment through entrepreneurial activities, fulfilling market needs, or creating employment.

Maes (2003) identified two different views of the environment that have been developed in the literature. The environmental determinism or ecological approach views the environment as an external set of conditions to which the organisation has to apply for it to survive (Aldrich, 1979). In the strategic choice perspective, the environment is viewed as a reality created by organisations themselves through some strategy (Gartner, 1985). While both perspectives on the environment have been and continue to be taken in the entrepreneurship literature, there has been an absolute lack of integration of both views (Low and MacMillan, 1988). Strategies are ignored, or taken for granted, in most ecological and evolutionary studies, and the existence of ecological pressures is also ignored in studies focusing on strategies. Yet, both views have to be considered in order to understand the entrepreneurial process.

3.3 Degrees of Entrepreneurship

The inclusion of all four components in the entrepreneurship research field makes it more difficult to identify which project is entrepreneurial and which is not, even though this complexity actually supports the behavioural view of entrepreneurship (Maes, 2003). In order to avoid arbitrary decisions that delineate entrepreneurial from non-entrepreneurial projects, it is important to discuss the ‘degrees’ of entrepreneurship. “Entrepreneurship is not a dichotomous concept, where either one ‘is’ or ‘is not’” (Morris, 1998: 6), it appears that some ventures clearly show more entrepreneurship than others (Verheul *et al.*, 2002, 2004; Davidsson, 2003). Desman (2002) argues that equally supportive of the notion that there are degrees of entrepreneurship is the research into ‘novice’ (single enterprise) and ‘habitual’ (multiple enterprise) entrepreneurs (Birley and Westhead, 1993) and subsequent research into ‘serial’ (one enterprise at a time) and ‘portfolio’ (multiple simultaneous enterprises) forms of habitual entrepreneurship (Westhead and Wright, 1998). Differences in innovativeness, risk, and complexity tolerance are revealed in the behaviour of those who found and stick with a single venture; those who found and divest ventures time and time again; and, those who found and operate multiple ventures simultaneously (Desman, 2002). Thus, in practice, there are degrees of entrepreneurship and different types of entrepreneurs. But on what basis should the extent of entrepreneurship be judged? Davidsson (2003) argues that there are at least three possibilities: the degree of (direct and indirect) impact on the economic system; the degree of novelty to the market; and the degree of novelty to the actor. These factors are discussed below.

The Degree of (Direct and Indirect) Impact on the Economic System

According to Davidsson (2003), this criterion is consistent with the view that entrepreneurship consists of the competitive behaviours that drive the market process. This view is based jointly on behaviour and outcomes, and it gives a satisfactorily clear delineation of the role of entrepreneurship in society (or societal organisation) and/ or economic system. Entrepreneurship makes a difference, if it does not, then, it is not entrepreneurship. From this view, entrepreneurship is placed squarely in a market context and it becomes clear that it is the suppliers who exercise entrepreneurship – not customers, legislators, or natural forces that also affect outcomes in the market. An indicator (or a variation) of this criterion is ‘how much wealth is created’. However, this criterion has severe shortcomings for research practice because impact can only be assessed after the fact and not in real time, and because even then, it can be very difficult to obtain roughly correct estimates of total impact of direct and indirect effects on a complex economic system.

The Degree of Novelty to the Market

Davidsson (2003) argues that this criterion is intuitively appealing in the sense that what is more creative is seen as involving a higher degree of entrepreneurship. This criterion has the advantage of being reasonably well assessed in real time. However, the main problem lies in the fact that while on average, successfully introduced innovative new activities are likely to have larger market impact, there is no guarantee that a high degree of novelty ascertains market effect. Some radical innovations have marginal impact or fail altogether, while some seemingly relatively marginal innovations revolutionise markets

and create great private and societal wealth. Nevertheless, the degree of novelty is at best a rough proxy for degree of entrepreneurship, whenever market effect is part of the definition of entrepreneurship.

The Degree of Novelty to the Actor

According to Davidsson (2003), this criterion involves relating the degree of entrepreneurship to the actor (firm, or individual(s)). This means that the action undertaken was radically different from what the actor has done in the past (but not necessarily very novel, or valuable, as the market sees it). Davidsson (2003) argues that associating the degree of entrepreneurship to the history of the actor, rather than to the market in this manner, has highly undesirable consequences. Based on this type of criterion, previous inactivity or conservatism increases an actor's potential for showing a high degree of entrepreneurship.

Davidsson (2003) concluded that while it is conceptually necessary to discuss 'degrees of entrepreneurship', it appears that there is no easy, or straightforward way, for actually assessing such variation. Researchers such as Verheul *et al.* (2002; 2004) have attempted to analyse the degrees of entrepreneurship involved in different types of entrepreneurial activity. A wide range of business behaviours have been classified in the literature as 'entrepreneurial', e.g., starting a business (i.e., new venture creation), innovation, business ownership, business growth and size achievement, and managing a large business (Verheul *et al.*, 2002; 2004). In 1999, Vesper proposed an entrepreneurial typology embracing a broad range of these themes (Table 3.3.1). The study acknowledged

that since different types of entrepreneurial activity exist side by side, researchers should adopt a view that separately identifies different types of entrepreneurs rather than solving the conundrum: ‘What is an entrepreneur’?.

Table 3.3.1
Vesper’s Entrepreneurial Typology

Name/ Type	Entrepreneurial Activity
Starter	enters an independent business by creating a new one
Acquirer	enters an independent business by acquiring an ongoing concern
Runner	manages a small to medium business beyond start-up
Take-Off Artist	steers a company into a high-growth trajectory
Turnaround Artist	saves a failing company
Innovator	makes something new happen that is not a company
Champion	supports innovator
Intrapreneur	takes initiative for business unit creation inside an established business
Industry Captain	runs a big business

SOURCE: Verheul *et al.* (2004)

Thus, Verheul *et al.* (2002; 2004) attempted to examine the degrees of entrepreneurship involved in Vesper’s entrepreneurial typology. Similar to Davidsson’s (2003) suggested criteria, Verheul *et al.* (2002) noted that, in particular, different activities may vary in degree of entrepreneurship depending upon underlying requirements or characteristics, such as opportunity perception, creativity, innovation, risk-taking, locus of control, need for achievement, and need for autonomy. The choice to

engage in entrepreneurial activity depends on whether individuals can identify with the characteristics and behaviours that are associated with entrepreneurship.

Of the underlying characteristics above, Cooper and Dunkelberg (1986) use opportunity perception, risk-taking, and innovation as indicators for the degree of entrepreneurship. This selection is consistent with results in Gartner's (1990) study of the perceptions of the entrepreneurship concept by experts. The results of a factor analysis reported in Gartner's research show that the three factors explaining the greatest amount of variation include items emphasising risk-taking, innovation, and opportunity recognition. Although Gartner labels the first factor, 'Entrepreneur', six of the twelve items associated with this factor mention risk. Likewise, the second factor, labeled 'Innovation', contains a number of items related to innovative activity. Finally, in the third factor labeled 'Organisation Creation', two of the most highly correlated items mention opportunity recognition. Hence, Verheul *et al.* (2002; 2004) examine the way in which each of these three characteristics (risk-taking, innovation and opportunity perception) relates to many of the activities listed in Vesper's entrepreneurial typology as well as other activities mentioned in the entrepreneurship literature. The results of Verheul *et al.*'s (2002; 2004) rankings are presented in Table 3.3.2.

Table 3.3.2
Ranking Business Accomplishments according to the Degree of Entrepreneurship^a

Business Accomplishments	Entrepreneurial Characteristics			Score	Rank
	<i>Opportunity Perception</i>	<i>Risk-Taking</i>	<i>Innovation</i>		
Founder ^b	4 high	4 high	4 high	12	1
Innovator	4 high	2 medium	4 high	10	2
Intrapreneur	4 high	2 medium	3 medium/ high	9	3 (tie)
Take-Off Artist	4 high	2 medium	3 medium/ high	9	3 (tie)
Acquirer	3 medium/ high	3 medium/ high	2 medium	8	5 (tie)
Franchisee	3 medium/ high	3 medium/ high	2 medium	8	5 (tie)
Runner	3 medium/ high	2 medium	3 medium/ high	8	5 (tie)
Turnaround Artist	3 medium/ high	2 medium	2/ 3 medium- medium/ high	7.5	8
Champion	3 medium/ high	1/ 2 low- medium	2 medium	6.5	9
Industry Captain	2 medium	1 low	1 low	4	10
Service Provider	2 medium	1 low	1 low	4	10
Ownership	<i>indeterminate</i>	4 high	<i>indeterminate</i>	?	?
Family Business	<i>indeterminate</i>	<i>indeterminate</i>	<i>indeterminate</i>	?	?

^a Rankings in this table are based on Verheul *et al.* 's (2004) review of the literature.
^b Verheul *et al.* (2004) chose to use the term *Founder* instead of Vesper's *Starter* since a distinction was made between starting a business which is not a franchise (*Founder*) and starting a franchise firm (*Franchisee*).
 SOURCE: Verheul *et al.* (2004)

The procedures used by Verheul *et al.* (2004) for arriving at the ranking are as follows. For the three characteristics (risk-taking, innovation and opportunity perception), a distinction was made between four levels (low, medium, medium-high, high), and the values 1 through 4 were assigned to these levels, respectively. The score of the business accomplishments equals the sum of these values. This leads to a tentative ranking of business accomplishments as more or less entrepreneurial in Table 3.3.2. This initial attempt was based on Verheul *et al.*'s (2004) interpretation of the characteristics of the different entrepreneurial activities mentioned in the literature.

On the basis of Table 3.3.2, Verheul *et al.* (2004) suggested that founding a firm from scratch involves the highest degree of entrepreneurship, followed by innovating behaviour, intrapreneurship and managing a high-growth business (tied for third place), acquisition, starting a franchise business and managing a small business (tied for fifth place), saving a failing business, supporting an innovator, and, finally, managing a large business and providing services to an entrepreneur (tied for last place).

Obviously, this initial ranking is somewhat arbitrary. In order to validate the proposed (literature) ranking of business accomplishments, Verheul *et al.* (2004) asked an expert panel survey including 162 respondents to indicate the extent to which each of the business accomplishments is an example of entrepreneurship or entrepreneurial behaviour. Respondents in their study were considered 'experts' if they had been working either as an academic or practitioner in the field of entrepreneurship for at least one year. The expert panel scores for each of the business accomplishments are presented in Table 3.3.3. The ranking of the accomplishments according to the experts appears fairly similar to the rankings derived from a review of literature (See Table 3.3.3, last column). With a

score of 1.27, starting a (non-franchise) business from scratch (i.e., *Founder*) is regarded, by far, the most entrepreneurial, followed in descending order of mean, by *Intrapreneur* (1.95), *Innovator* (2.06), *Take-Off Artist* (2.14), *Franchisee* (2.23) and *Runner* (2.37). About half of the experts also consider *Turnaround Artist* and *Acquirer* as ‘probable’ or ‘definite’ examples of entrepreneurship or entrepreneurial behaviour. On the other hand, only about 20 percent of the respondents consider *Service Provider*, *Champion*, or *Owner* as ‘probable’ or ‘definite’ examples of entrepreneurship. Twenty-five percent of the expert panel respondents ‘probably’ or ‘definitely’ regard *Industry Captain* as entrepreneurial. *Family Business* obtains a higher rating, with a mean of 2.82, and with 36.9 percent ‘probably’ or ‘definitely’ considering it an example of entrepreneurial behaviour. All thirteen business accomplishment items are viewed as either ‘probably’ or ‘definitely’ an example of entrepreneurial behaviour by almost 20 percent of the respondents in the expert panel.

Table 3.3.3
Ranking Business Accomplishments as ‘Entrepreneurial Behaviours’ according to an Expert Panel

Business Accomplishment	Mean	Standard Deviation	% rated ‘1’, ‘2’ by Experts ^a	% rated ‘1’ by Experts ^a	Literature Ranking (Table 3.3.2)
1. Founder	1.27	0.62	93.8	80.2	1
2. Intrapreneur	1.95	0.99	73.9	40.4	3 (tie)
3. Innovator	2.06	1.01	70.6	34.4	2
4. Take-Off Artist	2.14	1.01	67.7	29.7	3 (tie)
5. Franchisee	2.23	1.11	62.7	31.6	5 (tie)
6. Runner	2.37	1.03	55.9	21.7	5 (tie)
7. Turnaround Artist	2.46	1.08	51.9	21.5	8
8. Acquirer	2.58	1.21	50.3	21.7	5 (tie)
9. Family Business	2.82	1.20	36.9	17.2	?
10. Champion	2.97	1.15	21.3	13.0	9
11. Owner	3.12	1.13	19.6	9.2	?
12. Industry Captain	3.13	1.11	24.2	8.1	10
13. Service Provider	3.31	1.14	19.0	9.5	11

^a Experts were asked to rate whether or not each business accomplishment was viewed as an example of entrepreneurial behaviour on a five-point scale where ‘1’ = definitely; ‘2’ = probably; ‘3’ = maybe; ‘4’ = don’t think so; ‘5’ = no.

SOURCE: Verheul *et al.* (2004)

3.4 Chapter Summary

This chapter demonstrates the existing variations among researchers on the essence of the entrepreneurship concept. As with franchising, the literature is so full of definitions of entrepreneurship, which differ in many respects. Divergences in focus are evident along dimensions as: individuals vs. organisations and process vs. content (Sciascia and De Vita, 2004). These include whether entrepreneurship should be defined in terms of

dispositions (i.e., as an inherent characteristic), *behaviour*, or *outcomes*; whether it belongs in the *economic-commercial domain* or can be exercised also in not-for-profit contexts; whether it belongs only in *small* and/ or *owner-managed firms* or in any organisational context, and whether *purpose*, *growth*, *risk*, *innovation* or *success* are necessary criteria for something to qualify as entrepreneurship (Davidsson, 2003).

The lack of a clear and unique definition of the term entrepreneurship further complicates what should be the elements of the concept. Given the emergent status of the academic field of entrepreneurship, this study argues that both the traits and behavioural approaches should be included in entrepreneurship models. With regards to the traits approach, the traits most frequently cited as being characteristic of entrepreneurs in the literature include the need for achievement, risk taking propensity, desire for autonomy/independence, locus of control, and creativity. In terms of the behavioural approach, this study views entrepreneurship as the process of creating new value. Hence, the study presented a framework to show that the distinctive domain of entrepreneurship research is fundamentally at the nexus of entrepreneurial individuals/ teams, the entrepreneurial process and new value creation, within the overall context of wider environments (Busenitz *et al.*, 2003; Maes, 2003).

Although, by including all the above four components in the entrepreneurship research field it becomes more difficult to identify which project is entrepreneurial and which is not, it should be understood that entrepreneurship is not a dichotomous variable, as some ventures clearly show more entrepreneurship than others. As such, entrepreneurship may manifest itself in various organisational forms. Ucbasaran *et al.* (2001) suggest that entrepreneurship studies should focus on more precisely defined

entities (such as a particular category of entrepreneurs), contexts, and relationships. This approach is likely to generate useful insights into particular groups of entrepreneurs within a particular organisational context. They further note that, although this perspective may conflict with the desire for common definitions and a clearly defined area of inquiry, from a pragmatic perspective, it may allow researchers to provide more specific advice and applications for policymakers, practitioners, and entrepreneurs. Hence, it is imperative for researchers to explore the nature of entrepreneurial behaviour within different organisational settings. This is the central theme of discussion in the next chapter.

Chapter 4

Puzzles regarding the Relationship between Franchising and Entrepreneurship

4.1 Introduction

The previous chapter highlights the complexity involved in studying entrepreneurship (Sciascia and De Vita, 2004). But this complexity is not only applicable to the entrepreneurship phenomenon. Based on a review of previous literature, Koiranen *et al.* (1997) suggest that the inherent nature of franchising in itself produces many ambiguous and contradictory features, as shown in Table 4.1. As a result, Koiranen *et al.* (1997) argue that the complexity of franchising can be best understood through an investigation of the paradoxical features. Given the complexities of both the franchise and entrepreneurship concepts, it is obvious from Table 4.1 that some of the paradoxical features in franchising (e.g., Independence/Autonomy vs. Dependence; Innovation vs. Replication/ Adaptation; Creativity vs. Conformity) relate to the unresolved puzzle of whether franchising is truly entrepreneurial. These paradoxes would be examined in this study.

The emerging question from the discussions in Chapters 2 and 3 is: Are there features of franchising that relate to entrepreneurship? Only a few studies (e.g., Kaufmann and Dant, 1999; Hoy *et al.*, 2000; Desman, 2002; Spinelli *et al.*, 2004) were

identified in the literature, which directly explored the relationship between franchising and entrepreneurship in general. However, most of the studies are theoretical discussions and they require detailed empirical investigations to verify the suggestion made by Kaufmann and Dant (1999) that the study of franchising, franchisors, and franchisees should be included as integral areas within the distinctive domain of entrepreneurship research.

Table 4.1
Paradoxes of Franchising as described in Past Literature

Paradoxical Features in Franchising

- Independence/ Autonomy vs. Dependence (Dant *et al.*, 1992; Stanworth, 1993)
 - Responsibility vs. Limited Decision-Making Authority (Hoy, 1994)
 - Back-Up vs. Pressure to Conform (Curran & Stanworth, 1983; Withane, 1991)
 - Support vs. Supervision (Hing, 1995)
 - Self-Employment vs. Low Self-Actualisation (Anderson *et al.*, 1992; Hing, 1995)
 - Meeting Beginners’ Expectations vs. Not Meeting Experts’ Expectations (Curran & Stanworth, 1983; Stanworth, 1993)
 - Initiative Entrepreneurship vs. Imitative Entrepreneurship (Baumol, 1986; Brannen, 1986)
 - Innovation vs. Replication/ Adaptation (English & Hoy, 1995; Stanworth *et al.*, 1996)
 - Creativity vs. Conformity (English & Hoy, 1995; Stanworth *et al.*, 1996)
 - Profit and Growth vs. Provide Family Income (Kaufmann, 1988)
 - Individualists vs. Team Builders (Kursh, 1986; Dandridge & Falbe, 1994)
 - Satisfaction vs. Dissatisfaction (Falbe & Dandridge, 1992; Hoy, 1994)
 - Harmony vs. Conflict (Falbe & Dandridge, 1992; Hoy, 1994)
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SOURCE: Koiranen *et al.* (1997)

4.2 The Franchisor as an Entrepreneur?

Entrepreneurs can be identified on the basis of being in such positions as owner or founder; and/ or on the basis of undertaking certain behaviours such as developing the venture's concept, acquiring resources as well as setting up business operations (Gartner *et al.*, 1994). It is not surprising, then, that “almost all commentators have opined that the franchisors who create the original concept, operate the initial unit, and subsequently develop the franchise chain are definitely and unquestionably entrepreneurs” (English and Hoy, 1995: 15). Indeed, franchisors are able to visualise opportunities, develop the business concept and operating system, risking resources (time, money, and effort) to do so. Moreover, they are innovative, because creating new products and services, as well as building a business empire require an innovative person with a lot of determination and vision (Lim and Frazer, 2004). Defining the franchisor's role as an entrepreneur has, therefore, been a general assumption (Falbe *et al.*, 1998; Lim and Frazer, 2004; Clarkin and Rosa, 2005) and has not been studied explicitly in virtually all studies.

Research using agency theory has often treated the franchisor as the principal and the franchisee as the agent (See for example, Jambulingam and Nevin, 1999). As a result, many studies have assumed a hierarchical and dependent relationship in the franchise system (Stern and El-Ansary, 1988) with the franchisor delegating authority to the franchisee, as well as coordinating and controlling franchisees by means of monitoring. Franchisors have to monitor franchisees' activities to ensure that the reputation of the franchise system is not being damaged in anyway by the activities of any one of the franchisees (Rubin, 1978). The main concern is that franchisees may behave opportunistically to the disadvantage of the franchisor by willfully disregarding the

franchisor's goals in pursuit of their own entrepreneurial interests (Baucus *et al.*, 1996; Gassenheimer *et al.*, 1996). Franchisees may willfully withhold royalties, misrepresent revenues, disagree about competitive methods, refuse to participate in innovative marketing strategies, deviate from the franchisor's formula, or resist changes needed to keep the system competitive (Galen and Touby, 1993; Baucus *et al.*, 1996).

However, the potential for franchisor opportunism also exists (Elango and Fried, 1997). Franchisors behave opportunistically by encroaching on franchisees' markets, unfairly terminating franchisees, failing to disclose information, misrepresenting costs or revenues, fabricating successes, or acting evasively about promises for services (Galen and Touby, 1993; Tannenbaum, 1993a,b,c). Hence, Elango and Fried (1997) contend that it is necessary for researchers to recognise that the franchisor is also an agent and the franchisee is really the principal in many ways. Moreover, most of the assets are owned by the franchisees, yet the franchisor generally determines how the assets are utilised (Hadfield, 1990). "Franchising presents a two-sided moral hazard problem, with the franchisees facing a collective action problem in monitoring the franchisor" (Elango and Fried, 1997: 74). The delineation of tasks should be filled by leadership from each of the strategic partners, as there is reciprocal interdependence (i.e., a dynamic relationship with the roles of principal and agent being filled by both partners under different circumstances) (Spinelli *et al.*, 2004).

What is clear from the above is that a wide range of entrepreneurial connotations (e.g., creator, innovator, owner, and leader) are often linked to the franchisor. In one of the very few empirical studies investigating the role of the franchisor as an entrepreneur, Lim and Frazer (2004) examined the roles played by franchisors based on two case

studies involving two franchise systems in Australia, one from the retail industry and the other from the services industry. The findings from the pilot interviews show that, although some interviewees mentioned that the franchisor is an entrepreneur in his own right, none felt that this played an instrumental role in the franchise relationship.

However, respondents' views on what constitute entrepreneurship may differ. As a result, studies that would utilise validated and reliable psychometric instruments for identifying an entrepreneur may be more appropriate to confirm the general assumption that franchisors are entrepreneurs. Such studies would eliminate the possibility of a subjective bias which could arise from the fact that people may generally have different views about what constitute entrepreneurship, depending on their personal expectations. An empirical analysis of the franchisor's personality would also provide a basis for comparing the franchisor's entrepreneurial tendency with that of the franchisee, because, whereas the franchisor is widely portrayed as an entrepreneur, there is substantial debate on whether becoming a franchisee represents a real form of entrepreneurship (Morrison, 2000).

4.3 The Franchisee as an Entrepreneur?

The status of the franchisee as an entrepreneur remains one of the most controversial issues among practitioners and academics. Whereas, the franchisor's role as an entrepreneur is generally assumed, entrepreneurial activity by the franchisee is usually viewed as a paradox (Falbe *et al.*, 1998; Clarkin and Rosa, 2005). This argument could be related to the study by Verheul *et al.* (2004), which was presented in Chapter 3.

According to Verheul *et al.* (2004), starting a franchise business (i.e., becoming a franchisee) is often considered less entrepreneurial than founding a firm from ‘scratch’ (i.e., new venture creation) because an idea or concept that has already been developed is purchased and, accordingly, less innovation and risk is involved.

Two main factors seem to have complicated the issue of whether franchisees are ‘real’ entrepreneurs or just mere wannabes. First is the fact that there is no standard definition of the term entrepreneur, as discussed earlier. In fact, this may be the greatest problem in the determination of whether a franchisee is an entrepreneur (English and Hoy, 1995). The second factor complicating the issue is the expectation commonly proposed by franchisors while recruiting franchisees, which usually portrays franchisees as entrepreneurs. This is because franchising is often promoted with the phrase: ‘You will be in business for yourself, but not by yourself’ (International Franchise Association, 1988). These two factors are discussed below.

Franchisees’ Selection Criteria

According to Jambulingam and Nevin (1999), the selection of appropriate franchisees seems to be the franchisor’s single most pervasive operating problem. For example, in the recent NatWest/ British Franchise Association Survey (2006), a lack of suitable franchisees was reported to be an on-going and worsening problem among the U.K. based franchises, with over half of franchisors identifying it as an issue. To a large extent, the future success of the franchisor’s system depends on a systematic screening process used to ensure careful selection of suitable franchisees to conduct the business of the franchisor (Olm *et al.*, 1988; Poe, 1991). Clarkin and Swavely (2003; 2006) argued that the selection

of franchisees plays an important role in the growth and cooperation within franchise systems. In spite of the recognised importance of the franchisee selection process, very little scholarly attention has been devoted to it (Jambulingam and Nevin, 1999).

Birkeland (2002) noted that an expectation quite commonly proposed by franchisors while recruiting franchisees is that franchise ownership is equivalent to entrepreneurship. Almost every advertisement involving franchise opportunities contains an ideology of entrepreneurship as Birkeland (2002: 139-140) has demonstrated, namely:

“For the price of a new car you can drive your own business”.

“Discover your power potential. Join the fast growing list of entrepreneurs who have secured their futures with (Company X) franchise”.

“The key to a successful business of your own ... could be (this) franchise”.

“Stop making money for someone else. Take control of your future as the owner of your own franchise”.

The advertisements all promote the idea of ‘owning a business that is yours’ and by inference ‘entrepreneurship’. The above illustrations may suggest that some franchisors seek to recruit entrepreneurial individuals as franchisees. While some studies uphold the idea that franchisees should be innovators/ entrepreneurs, others oppose it (Jambulingam and Nevin, 1999). For instance, Weinrauch (1986) and Axelrad and Rudnick (1987) support the innovative position of the franchisee. According to them, an innovative franchisee will bring new ideas and product concepts that will be beneficial to the franchise system. Conversely, Olm *et al.* (1988) found that most franchisors have strict rules and norms, and do not have much latitude for creativity and innovativeness, which are generally regarded as characteristics of entrepreneurs (Drucker, 1985). These authors

also suggest that franchisors do not primarily regard franchisees as entrepreneurs but rather as hard-working, industrious individuals. Franchisors often state that they prefer to select a manager rather than an entrepreneur as a franchisee in order to protect their business system from unauthorised change (Falbe *et al.*, 1998). Mark Spinelli of Star Muffler, quoted in Birkeland (2002: 140-141), has argued that:

“selling franchising as ‘owning your own business’ was a huge mistake. It was the wrong approach, and it’s killing us as an industry. [Franchisors] constantly run into the problem of [franchisees] saying, ‘I own it’, or ‘I bought this franchise, and you can’t tell me what to do’. ... [Franchisees] only bought the right to operate our stores under the trademark. That’s it. We own the trademark, and their only responsibility is to us, to follow our system and methods ... What we have come to realise is that [franchisees] aren’t entrepreneurs; they might think they are entrepreneurs, but they’re not. If they were really entrepreneurs, they’d go out and start their own business”.

The above studies all suggest that further research is required to examine whether franchisors seek to recruit entrepreneurial franchisees.

Characteristics of Franchisees

Further empirical studies conducted to clarify whether franchisees are actually entrepreneurs have not produced any conclusive results. Based on a comparison of franchisees and entrepreneurs, Anderson *et al.* (1992) concluded that franchisees do not appear to be ‘real’ entrepreneurs. This is because franchisees do not have the supervisory ability, initiative, achievement motivation, or the same level of self-actualisation as entrepreneurs. Franchisees also exhibit a greater need for security than entrepreneurs. Although they argued that these were the traits that tend to set entrepreneurs apart from most other working men and women, the questionnaire used (the ‘Self Description

Inventory' developed by Ghiselli, 1971) was primarily used to measure managerial attributes and not entrepreneurial attributes. As a result, there are other significant entrepreneurial attributes that were not captured by the questionnaire (e.g., independence, internal locus of control, and creativity – See Chapter 3). Moreover, to facilitate comparison of franchisees and entrepreneurs, the owners of companies cited in the *Inc.* 100 list of the fastest growing companies was utilised for the entrepreneur's sample. Though the authors note that it is quite difficult to identify people who would be universally accepted as 'true' entrepreneurs, their sample of entrepreneurs raises the question of whether these people are actually 'true' entrepreneurs themselves. Although, the term entrepreneurship is often equated with new venture creation, owner-management and self-employment, not all owner-managers can be regarded as entrepreneurs, because the term is much broader than these concepts would suggest (Kirby, 2003). Hence, the appropriateness of the entrepreneur's sample and the measure of entrepreneurial personality used in Anderson *et al.*'s (1992) study become an issue of concern.

In another study, Stanworth (1993) concluded that franchisees do not appear to differ greatly from conventional entrepreneurs in terms of background and motivation. It was observed that the actions of many who buy franchises are motivated by an interest in self-employment. Yet, in terms of the franchisee's pursuit of entrepreneurial independence, the debate on the issues of control and autonomy in the franchising literature provides conflicting findings. On the one hand, some studies show a tendency towards high levels of control and standardisation. Felstead (1991: 1993), for instance, contends that though the franchisee is defined by law and registered as self-employed, franchisees are bound to franchisors by a number of contractual clauses, and such clauses

place a ceiling on the level of independence enjoyed by the franchisee. As a result, the franchisee works in a tightly controlled and highly regulated business relationship and might be more appropriately considered as a 'controlled self-employee'. On the other hand, some studies show a high level of autonomy, expressed as entrepreneurial franchising (Pizanti and Lerner, 2003). Stanworth *et al.* (1996) claim that franchisees, while not independent in the sense of small business owners, definitely do not see themselves as conventional employees. Based on a study of franchising in Iowa, Bills (1998) also reports that franchisees see themselves as self-employed, self-directed, and independent.

Nevertheless, Stanworth's (1993) findings that franchisees do not appear to differ greatly from conventional entrepreneurs in terms of background and motivation is consistent with previous studies, which have demonstrated that franchisees are very similar in orientation and background to those entrepreneurs who start their own independent business, and that both courses are often considered by franchisees before doing one or the other (Peterson and Dant, 1990; Kaufmann and Stanworth, 1995).

However, English and Hoy's (1995) research findings could not sufficiently categorise the franchisee as an entrepreneur. An exploratory survey was conducted by administering the Mancuso entrepreneurial survey instrument (Mancuso, 1984) to two different samples: independent restaurant owners and franchise restaurant operators. It was hypothesised that given the dramatic differences between the idealised profile of the prototype franchisee and the prototype entrepreneur, the independents would have higher entrepreneurship scores. However, the results revealed that the entrepreneurship scores of the franchise restaurant operators were higher than those of the independent restaurant

owners. In fact, virtually nobody from either group of respondents attained the required score for classification as an entrepreneur by the Mancuso questionnaire. Perhaps the Mancuso questionnaire was not appropriate given its reliance on demographic questions (English and Hoy, 1995). This is in line with Robinson *et al.*'s (1991) view that demographic circumstances do not enhance the ability to predict entrepreneurial tendencies. Even English and Hoy (1995) noted that the questions which directly explored issues of independence, autonomy and control consistently scored higher for the independents. Hence, they suggested that a survey instrument that captures the key elements of entrepreneurship (e.g., need for achievement, need for autonomy, creative tendency, calculated risk taking and internal locus of control, as discussed in the previous chapter) might yield better results, rather than an instrument which relies greatly on demographic questions. This is consistent with previous studies that psychological attributes have produced good results for predicting whether a person will pursue entrepreneurship (Stewart *et al.*, 1999).

What is clear from the above studies is that more progress can be made by researchers to assess the entrepreneurial tendencies of franchisees through the use of appropriate methodologies. These should include the use of survey instruments that are reasonably reliable and have satisfactory evidence of construct validity. The use of such measures could be enhanced by utilising a reasonably large sample size for the franchisee's analysis. This could also include the use of a wide range of industry sectors, as this will facilitate generalisations and enable precise conclusions to be made on the entrepreneurial tendencies of franchisees.

The current state of the literature thus shows that further research is required that considers the entrepreneurial attributes of individuals purchasing franchises (Ucbasaran *et al.*, 2001). Whether the franchisee qualifies as an entrepreneur remains an open question, which is worthy of further investigation, as the evidence provided in the extant literature has been inconclusive and conflicting.

4.4 The Franchise Partners as an Entrepreneurial Team?

Entrepreneurship researchers have traditionally focused mainly on independent entrepreneurship (Shane and Hoy, 1996), and most of the literature has concentrated extensively on the individual entrepreneur (Watson *et al.*, 1995; Clarkin and Rosa, 2005). However, Gartner *et al.* (1994) argue that the ‘entrepreneur’ in entrepreneurship is more likely to be plural, rather than singular because the locus of entrepreneurial activity often resides not in a single person, but in many. It is necessary to acknowledge that those individuals who might have a significant involvement in the venture (here, ‘venture’ means any entrepreneurial activity, not just the activities involved in new firm formation) need to be theoretically and empirically accounted and ‘controlled for’. Yet, a relatively neglected but important aspect of research on types of entrepreneur has been in the area of entrepreneurial teams (Ucbasaran *et al.*, 2001).

This begs the question of the definition of an entrepreneurial team. Although the answer to this question remains unclear, Schjoedt (2002: 2) argues that “an entrepreneurial team consists of two or more persons who have an interest, both financial and otherwise, in and commitment to the venture’s future and success; whose work is

interdependent in the pursuit of common goals and venture success; who are accountable to the ... team and for the venture; who are considered to be at the executive level with executive responsibility in the early phases of the venture, including founding and pre-start up; and who are seen as a social entity by themselves and by others". The significance of this definition for the franchise context is contained in the following discussion.

Clarkin and Rosa (2005) argued that there has been a low volume of research on the existence and effects of entrepreneurial teams within franchising firms. This may occur partly because franchising is seldom viewed as a context in which entrepreneurship is possible, beyond the creation of the concept by a franchisor. However, the study by Clarkin and Rosa (2005) revealed evidence of entrepreneurial teamwork within franchising firms, where creativity and adaptation were not always limited to franchisors. These authors reported that restrictive franchise agreements were not always rigorously enforced unless problems occurred, allowing room for entrepreneurial activity by franchisees. Their findings are contrary to widespread assumptions that relationships in franchise firms are built on managerial subordination, where franchisee behaviour is defined, restricted, and governed by non-negotiable, detailed legal agreements.

Some other studies (e.g., Kaufmann and Dant, 1999) have also suggested that franchising involves much more than an individual entrepreneurial role for the franchisor, as there can be no franchise relationship per se without the concept innovator (franchisor) and the concept implementator (franchisee) (Spinelli *et al.*, 2004). If a new business is to grow at the desired rate, it is unlikely that the individual entrepreneur will be able to manage the process alone – the team must be put in place at the start, because the team is

fundamental to the success of the venture (Birley and Stockley, 2000). Businesses owned by teams generally tend to have an aggregation and complementarities of people with diverse characteristics, knowledge, skills and abilities (Roure and Maidique, 1986; Vesper, 1990; Watson *et al.*, 1995), as well as a wider social and business network, which can be utilised for the acquisition of additional resources (Ucbasaran *et al.*, 2001; Stanworth *et al.*, 2003). These advantages support the resource scarcity theory (discussed in Chapter 2), which suggests that franchisees are an efficient source of financial, human, and informational capitals for firms seeking to expand. Hence, franchising represents a unique form of entrepreneurship because it depends upon two entrepreneurs – the franchisor and the franchisee – to be successful (Shane and Hoy, 1996).

Kaufmann and Dant (1999) argue that whilst the franchisor risks resources devoted to the development of the brand, the franchisee risks resources devoted to the development of local markets. In most cases, the franchisee is more familiar with the local markets and their potential than the franchisor. Franchisees become the engines of expansion for the chain by opening new outlets in untried markets, attracting new pockets of demands, and assuming the risk involved in the activity. Franchisees thus become partners in the entrepreneurial activity of the franchisor, creating a distinct form of entrepreneurship that can be called an ‘entrepreneurial partnership’. The franchisee’s role as entrepreneur-partner is therefore supported by the fact that they do accept the financial risk of introducing the franchisor’s concept to a new and untried market.

The franchise relationship may, therefore, suggest an entrepreneurial team where the franchisor and franchisee can leverage the special skills and competitive advantages of each other (Spinelli *et al.*, 2004). Entrepreneurial activity by the franchisor seems to

provide a competitive advantage, whilst entrepreneurial activity by the franchisee implies a partnership in adapting to the environment (Falbe *et al.*, 1998).

4.5 Franchising as Entrepreneurship?

To summarise, if the actors involved in franchising are entrepreneurs, should this imply that franchising, in itself, is entrepreneurial? Hoy and Shane (1998) oppose the generally accepted wisdom that franchising is the antithesis of entrepreneurship, which simply involves the replication of a proven business format and thus, by definition, excludes creativity and innovation. According to these authors, the very act of creating a franchise network, itself, is an entrepreneurial act. Stanworth *et al.* (2003) stress that agency-theorists (Brickley and Dark, 1987; Krueger, 1991) infer that franchising is a form of creative innovation, deriving from resource constraints. The mere decision by business owners to expand their business through the use of franchising may be considered highly innovative, judged from a human resource, financial or ownership perspective (Stanworth *et al.*, 2003).

Similarly, Desman (2002) contends that the recognition by latent entrepreneurs that they do not have to operate in isolation in order to satisfy their entrepreneurial appetites is the innovative component that connects entrepreneurship to franchising. Perceiving franchising as an alternative means for achievement, seeking ways by which franchising can be harnessed to one's advantage, and recognising a sound franchising opportunity are innovative thought processes by any standard. Hence, Desman (2002) argues that from the perspective of entrepreneurship, franchising represents opportunity

for latent franchisors and franchisees. The presence of an available franchise, or the perception of franchising as a strategic option, is sufficient to cause an entrepreneurial event. Assessment of a franchise opportunity appears to follow the same process as any other opportunity in the entrepreneurial process. If these assumptions are accepted, franchising certainly has entrepreneurial content. It is innovative, it is a creative means for combining resources and accelerating a launch, and it holds inherent risks.

Spinelli *et al.* (2004) argue that opportunity discovery is not the end of the entrepreneurial process. Entrepreneurship involves a way of thinking and acting that is opportunity obsessed, holistic in approach, and leadership balanced, for the purpose of wealth creation. The franchisor's development of a business model that is offered to franchisees is a thoughtful approach to opportunity recognition, which is followed by execution and shaping of the opportunity. The would-be franchisor recognises an opportunity and designs a service delivery system to exploit that opportunity, and the franchisor also bears the burden of assessing the market, creating the product or service, establishing the brand, building the business plan, and measuring the competition. As a result, opportunity, thought, and action are the key elements of a franchise company, and because the expectation of each party is to create wealth from the relationship, the entrepreneurial definition is sealed.

Table 4.5.1
Definitions of Entrepreneurship and their Applicability to the Franchising Context

Representative Definitions of Entrepreneurship	Application to Franchisors	Application to Franchisees
Entrepreneur is an individual who possesses qualities of risk-taking, leadership, motivation, and the ability to resolve crises (Liebenstein, 1968)	Yes	Yes
Entrepreneurs are leaders and major contributors to the process of creative destruction (Schumpeter, 1942)	Yes	No
Entrepreneur is an individual who undertakes uncertain investments and possesses an unusually low level of uncertainty aversion (Knight, 1921)	Yes	Yes
Entrepreneurship is the creation of new enterprise (Low and MacMillan, 1988)	Yes (concept)	Yes (market)
Entrepreneurship is the creation of new organisations (Gartner, 1985)	Yes (concept)	Yes (market)
Entrepreneurs introduce new combinations of the factors of production (land and labour) that, when combined with credit, breaks into the static equilibrium of the circular flow of economic life and raises it to a new level (Schumpeter, 1934)	Yes	No
Entrepreneurship is the process of extracting profits from new, unique, and valuable combinations of resources in an uncertain and ambiguous environment (Amit <i>et al.</i> , 1993)	Yes	Yes (ambiguous environment)
Entrepreneur performs one or more of the following activities: (1) connects different markets, (2) meets/ overcomes market deficiencies, (3) creates and manages time-binding implicit or explicit contractual arrangements and input-transforming organisational structures, and (4) supplies inputs/ resources lacking in the market-place (Leibenstein (1968)	Yes (1, 2, 3, 4)	Yes (2, 4)
Entrepreneurship is the purposeful activity to initiate, maintain, and develop a profit-oriented business (Cole, 1968)	Yes	Yes
Entrepreneurs perceive profit opportunities and initiate actions to fill currently unsatisfied needs or to do more efficiently what is already being done (Kirzner, 1985)	Yes	Yes
Entrepreneurs are residual claimants with operational control of the organisation (Shane and Cable, 1997)	Yes (system profits/ shared control)	Yes (unit profits/ shared control)

SOURCE: Kaufmann and Dant (1999)

Kaufmann and Dant (1999) summed up the above arguments by categorising contemporary definitions of entrepreneurship into three groups: (1) definitions stressing the characteristic traits or qualities supposedly possessed by entrepreneurs, (2) definitions stressing the process of entrepreneurship and its results, and (3) definitions focusing on the activities performed by entrepreneurs. By applying these definitions to the franchising context (Table 4.5.1), they suggest that franchising constitutes an entrepreneurial activity, in agreement with Hoy and Shane (1998) and others (e.g., Clarkin and Rosa, 2005).

Most of the existing studies that have explored franchising within an entrepreneurial context have mainly been concerned with the entrepreneurial process involved in the franchise start-up stage. But entrepreneurial activity appears to represent a much broader range of activity than simply ‘starting’ a business. As shown in Chapter 3, apart from new venture creation, a wide range of business behaviours has been classified in the literature as ‘entrepreneurial’, e.g., innovative behaviour within existing organisations (Cromie, 2000), business ownership, business growth and size achievement, and managing a large business (Verheul *et al.*, 2002). Despite the franchisor’s initial innovative effort in adopting the franchise strategy, corporate survival at different stages of the development of the business, market or industry requires innovative change (Stanworth *et al.*, 1996). As such, innovation and adaptation are essential for survival in competitive environments, and the need for entrepreneurial activity in franchising is likely to increase dramatically, as the environment becomes more competitive (Falbe *et al.*, 1998). Therefore, to focus only on the entrepreneurial processes associated with starting a franchise business in an attempt to analyse whether franchising is entrepreneurial, is to ignore other important aspects of entrepreneurship

that may be associated with this increasingly significant form of business activity. It is necessary to systematically and empirically model the entrepreneurial process within franchise outlets' operations as well as franchisors' ongoing activities in order to see whether (and how) the entrepreneurial process is maintained after the franchise start-up process is completed. In other words, more studies are needed to examine the applicability of the entrepreneurship framework (developed in Chapter 3) to the ongoing operations of the franchised business.

4.6 Chapter Summary

The present chapter has identified possible areas where franchising and entrepreneurship may be related based on a review of previous studies. In examining these areas, it became apparent that the two main approaches to the study of entrepreneurship (the traits and the behavioural approaches discussed in Chapter 3) are both relevant for investigating whether or not franchising is entrepreneurial. The trait approach may be useful for analysing whether the franchisor and the franchisee possess entrepreneurial traits, while the behavioural approach may be useful for assessing the relevance of the entrepreneurship framework (presented in Chapter 3) to the activities of the franchisee and the franchisor.

The emerging picture from the pieces of the puzzles regarding the relationship between franchising and entrepreneurship raises different issues, which provide ample areas for additional research and clarification. Most of these issues are consistent with Shane and Hoy's (1996) view that franchising raises important research questions for

entrepreneurship scholars. Some specific questions arising from the literature review include:

- (1) Do the traits of franchisors align with the reported traits of entrepreneurs?
- (2) Do the traits of franchisees align with the reported traits of entrepreneurs?
- (3) How do the entrepreneurial tendencies of franchisors compare with those of franchisees?
- (4) What are the implications of the franchisor's and the franchisee's traits for entrepreneurship?
- (5) To what extent can the franchise relationship be seen as an entrepreneurial team?
- (6) How applicable is the entrepreneurship framework to the franchise context?
- (7) In terms of standardisation versus adaptation in the franchise system, are all systems uniform in this respect? Or do some systems permit more flexibility and offer greater scope for entrepreneurial behaviour?

Questions such as these are the focus of the in-depth inquiry contained in the next part of the thesis.

PART III: METHODOLOGY

Chapter 5

Research Aims and Methodology

5.1 Introduction

Chapter 4 shows a number of ‘puzzles’ that arise in franchising as a result of the complexity of the franchise and entrepreneurship concepts. These puzzles raise a number of questions that will be addressed in this thesis. The present chapter provides a discussion of how the research objectives highlighted in Chapter 1 will be achieved. The chapter begins by specifying the research questions, as well as the aims and objectives of the study. Then, a comprehensive discussion of the different methodological approaches to business and management research is provided. Finally, the research approach adopted for the purpose of the study is presented, and the justification for the methodology is discussed in the light of the research questions and objectives.

5.2 Research Question

The purpose of this study is to examine the relationship between franchising and entrepreneurship, as Chapter 4 demonstrates the existing ambiguity regarding the relationship between both concepts. In general, a review of the literature shows that research exploring the role of entrepreneurship in franchising is still in its infancy and this topic has been investigated very little to date. In an attempt to expand this body of knowledge, the overriding question for this study is stated as follows:

Is franchising entrepreneurial?

5.3 Aims and Objectives

Chapter 4 suggests that the foregoing broad question could be addressed through detailed examination of the personalities and behaviours of the franchisors and franchisees. Therefore, a number of specific questions were raised in this section to capture different aspects of the research problem (Table 5.3). As suggested by Saunders *et al.* (2003), each of these narrow questions is expressed as a research objective, in relation to the two main approaches to the study of entrepreneurship.

Table 5.3
Phrasing Research Questions as Research Objectives

Approaches to Entrepreneurship	Research Questions	Research Objectives
Traits Approach	Do the traits of franchisors align with the reported traits of entrepreneurs?	To examine whether franchisors possess traits that are consistent with entrepreneurship.
	Do the traits of franchisees align with the reported traits of entrepreneurs?	To examine whether franchisees possess traits that are consistent with entrepreneurship.
	How do the entrepreneurial tendencies of franchisors compare with those of franchisees? (i.e., are franchisors more or less entrepreneurial than franchisees?)	To investigate whether there are any significant differences in the entrepreneurial tendencies of franchisors and franchisees. (i.e., to examine whether franchisors are more or less entrepreneurial than franchisees.)
Behavioural Approach ¹	Do franchisees behave entrepreneurially?	To determine whether franchisees engage in entrepreneurial behaviours and activities that result in new value creation.
	What are the factors that could influence entrepreneurial behaviours and activities within franchised outlets?	<p>To determine the types of conditions and situations that are likely to encourage or discourage entrepreneurial behaviours and activities within the franchised outlets, i.e., to examine:</p> <ul style="list-style-type: none"> the attitudes of franchisors toward entrepreneurship in their businesses and in their franchisees, whether franchisors seek to recruit entrepreneurial individuals as franchisees, and whether (and how) franchisors grant franchisees the autonomy to undertake entrepreneurial activities within the franchised outlets.

¹ The second part of this study concentrates on assessing the behaviour and activities of franchisees within the franchised outlets. It is of interest to focus solely on an investigation of the franchisee’s behaviour because herein lies one of the most significant debates on whether franchising is truly an entrepreneurial activity (as discussed in Chapter 4). While a number of entrepreneurship dimensions may reflect in the franchisor’s activities, the extent to which franchisees may engage in entrepreneurial activities is usually restricted by the franchisor’s objectives (Stanworth *et al.*, 1996). This explains why it is necessary to know whether franchisors recruit entrepreneurs as franchisees.

5.4 Methodological Approaches to Business and Management Research

This research is positioned within the social sciences and the domain of business and management research. Therefore, approaches to, and philosophies of, research in the social sciences are reviewed in terms of the research questions and objectives of the study in order to establish an appropriate methodological approach for the investigations that will be carried out in this research.

Research Paradigms

Management research is complex as there are a number of factors beyond the technicalities of a particular study's research design that also assume considerable importance (Easterby-Smith *et al.*, 1991). These begin with the philosophical issues underlying management research, because the researcher's view about the world can have an impact on both the selection of methods as well as judgements about the quality and value of the outcomes from the research project. For instance, an individual's basic beliefs about the world will be reflected in the way the individual designs the research, and in how the data is collected and analysed (Collis and Hussey, 2003). Thus, it is unwise to conduct research without an awareness of the underlying philosophical issues (Easterby-Smith *et al.*, 1991).

There is a long-standing debate in the social sciences about the most appropriate philosophical position from which methods should be derived. Two main research paradigms or philosophies, the *positivist* and the *phenomenological*, dominate the literature, and both can determine the entire course of a research project (Easterby-Smith *et al.*, 1991; Collis and Hussey, 2003). It is important to note that a number of alternative terms are often used in the literature to label these two

paradigms. Table 5.4a provides a summary of such terms; the terms presented under each paradigm in the table are not necessarily interchangeable.

Table 5.4a
Alternative Terms for the Main Research Paradigms

Positivistic Paradigm	Phenomenological Paradigm
Quantitative	Qualitative
Objectivist	Subjectivist
Scientific	Humanistic
Experimentalist	Interpretivist
Traditionalist	

SOURCE: Collis and Hussey (2003)

The word *paradigm* is a complex term, which arises very frequently in the research methods literature (Punch, 2000). As noted by Easterby-Smith *et al.* (1991), the term came into vogue among social scientists, particularly through the work of Kuhn (1962). Although, Kuhn’s use of the term ‘paradigm’ has been interpreted in numerous ways due to linguistic inconsistencies (Gummesson, 2000), Kuhn used the expression to describe the progress of scientific discoveries in practice (Easterby-Smith *et al.*, 1991), as shown by the following definitions:

- “The term *paradigm* refers to the progress of scientific practice based on people’s philosophies and assumptions about the world and the nature of knowledge; in this context, about how research should be conducted” (Collis and Hussey, 2003: 46).
- “As used in social science, [paradigm] means a set of assumptions about the social world, and about what constitute proper techniques and topics for inquiry. In short, it means a view of how science should be done. It is a very broad term, encompassing

elements of epistemology, theory and philosophy, along with methods” (Punch, 2000: 28).

“[*Paradigms* represent individuals’] value judgements, norms, standards, frames of reference, perspectives, ideologies, myths, theories, and approved procedures that govern their thinking and action” (Gummesson, 2000: 18).

Traditionally, the *positivistic* paradigm in the social sciences is based on the approach used in the natural sciences, such as biology, botany and physics (Collis and Hussey, 2003). The main idea of this paradigm is that the social world exists externally, and that its properties should be measured by means of objective methods, rather than being inferred subjectively via sensation, reflection or intuition (Easterby-Smith *et al.*, 1991). However, it was not long before some social scientists began to argue against this paradigm by pointing out that the physical sciences deal with objects which are outside us, whereas the social sciences deal with action and behaviour that are generated from within the human mind (Collis and Hussey, 2003). Consequently, the *phenomenological* paradigm developed as a result of criticisms of the positivistic paradigm (Collis and Hussey, 2003). The phenomenological paradigm stems from the view that the world and reality are socially constructed and not objectively determined. As a result, the task of the social scientist should not be to gather facts and measure how frequently certain patterns occur, rather it should be to appreciate the different constructions and meanings that people place upon their experiences (Easterby-Smith *et al.*, 1991). This qualitative approach emphasises the subjective aspects of human activity by concentrating on the meaning, rather than the measurement, of social phenomena (Collis and Hussey, 2003). As noted by Collis and Hussey (2003), the different assumptions of the two paradigms can be summarised under five main headings: the ontological, epistemology, axiological, rhetorical and methodological assumptions (Table 5.4b).

The *ontological* assumption deals with thoughts of whether the world is objective and external to the researcher, or socially constructed and only understood through an examination of the perceptions of the human actors.

Epistemology is concerned with the study of knowledge and what is accepted as being valid knowledge. This involves an examination of the relationship between the researcher and what is being researched. Positivists believe that only observable and measurable phenomena can be validly regarded as knowledge. They strive to maintain an independent and objective stance. As a result, they believe that they are detached from what is being researched, as they maintain a distance between themselves and the object of research by taking the role of an external observer (Gummesson, 2000). On the contrary, phenomenologists attempt to minimise the distance between the researcher and what is being researched; they believe that the researcher is involved with what is being researched. Gummesson (2000) contends that a true scientific approach is a search for truth and meaning, and truth and meaning in social life cannot be found in a situation where a researcher watches the world from a distance and detaches from its turmoil.

The *axiological* assumption is concerned with values. Positivists believe that science and the process of research are value-free. They believe that the objects they are studying are not affected by their research activities. Therefore, the choice of what to study as well as how to study the issue can be determined by objective criteria and not by human beliefs and interests (Easterby-Smith *et al.*, 1991). On the other hand, phenomenologists believe that researchers have values, even if they have not been made explicit. These values help to determine what are recognised as facts as well as

the interpretations that are drawn from them. Thus, phenomenologists believe that science is driven by human interests (Easterby-Smith *et al.*, 1991).²

The *rhetorical* assumption deals with the language of research. In a positivistic study, it is usual to write in a formal style, using the passive voice. This is because a positivistic study tries to convey the impression that the research is objective; that rigorous procedures have been adopted; and any personal opinions and values possessed by the researcher have not been allowed to distort the findings. However, the position is less clear in a phenomenological study. The preferred style of writing in many disciplines is a style which fully reflects the immediacy of the research and demonstrates the researcher's involvement.

The *methodological* assumption is concerned with the process of the research. As stated earlier, the choice of paradigm has important implications for the choice of methodology, i.e., the overall approach to the research process. A positivist is likely to be concerned with ensuring that any concepts used can be operationalised. In other words, concepts should be described in such a way that enables facts to be measured quantitatively (Easterby-Smith *et al.*, 1991). Also, in a positivistic study, large samples are likely to be used; the focus is likely to be on what are regarded as objective facts; hypotheses will be formulated; and the analysis will be seeking associations or causality. However, in a phenomenological study, small samples are likely to be investigated in depth, or over a period of time; a number of different research methods (multiple methods) will likely be used to obtain different perceptions of the phenomena; the analysis will be seeking to understand what is happening in a situation as well as looking for patterns which may be repeated in other similar situations.

² As noted by Collis and Hussey (2003), the ontological, epistemological and axiological assumptions are interrelated.

Table 5.4b
Assumptions of the Main Paradigms

Assumption	Question	Quantitative	Qualitative
Ontological	What is the nature of reality?	Reality is objective and singular, apart from the researcher	Reality is subjective and multiple as seen by participants in a study
Epistemological	What is the relationship of the researcher to that researched?	Researcher is independent from that being researched	Researcher interacts with that being researched
Axiological	What is the role of values?	Value-free and unbiased	Value-laden and biased
Rhetorical	What is the language of research?	Formal	Informal
		Based on set definitions	Evolving decisions
		Impersonal voice	Personal voice
Methodological	What is the process of research?	Use of accepted quantitative words	Use of accepted qualitative words
		Deductive process	Inductive process
		Cause and effect	Mutual simultaneous shaping of factors
		Static design – categories isolated before study	Emerging design – categories identified during research process
		Context-free	Context-bound
		Generalisations leading to prediction, explanation and understanding	Patterns, theories developed for understanding
		Accurate and reliable through validity and reliability	Accurate and reliable through verification

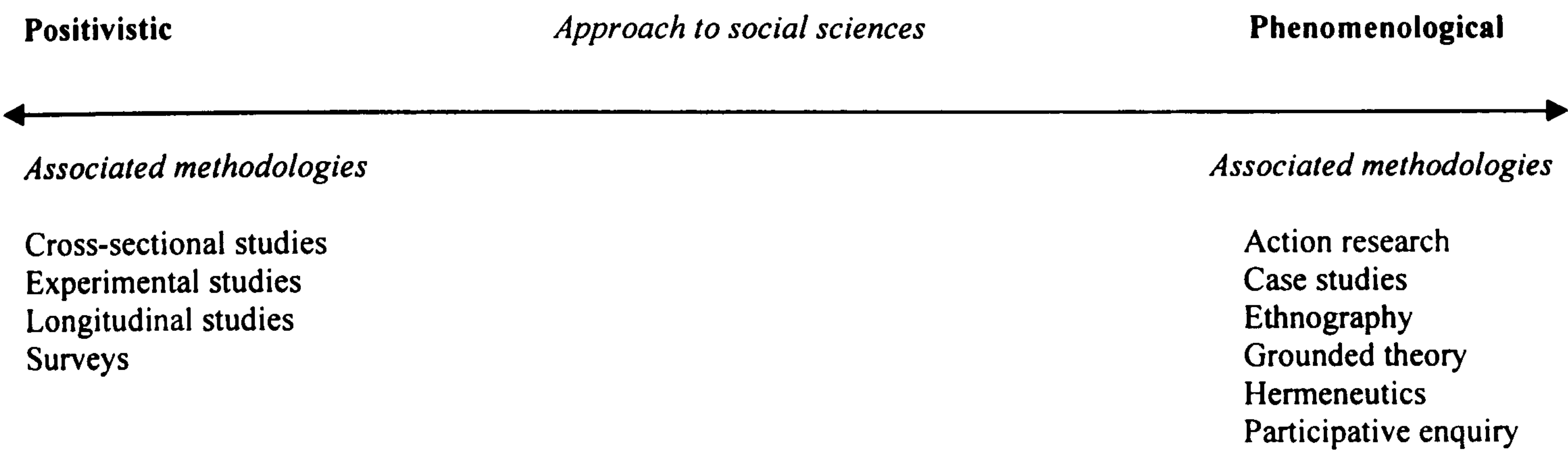
Adapted from Creswell (1994). Creswell refers to the *positivistic* paradigm as *quantitative* and the *phenomenological* paradigm as *qualitative*.

SOURCE: Collis and Hussey (2003)

Since the choice of paradigm has important implications for the choice of methodology, it follows that the two main paradigms are normally associated with different types of research methodologies. In Figure 5.4, the key methodologies used in business research are grouped together under the two main paradigms. Although,

these two paradigms are near the extremities of the continuum, each methodology can be moved some way along the continuum according to the individual researcher’s assumptions (Collis and Hussey, 2003).

Figure 5.4
Methodological Assumptions of the Main Paradigms



SOURCE: Collis and Hussey (2003)

Underpinning much of the foregoing discussion on the distinctions between the different approaches is the issue of credibility of the research findings. In order to provide good answers to research questions, a researcher should focus on having a sound research design through consideration of some important criteria: *validity*, *reliability*, and possibly, *generalisability*. “These three concepts establish the basis on which other researchers should regard a piece of research as knowledge that can be assimilated into the knowledge base of a field of study” (Rowley, 2002: 20). As shown in Table 5.4c, the meaning of these terms varies with respect to the philosophical viewpoint adopted (Easterby-Smith *et al.*, 1991).

Table 5.4c
 Questions of Reliability, Validity and Generalisability

	Positivist Viewpoint	Phenomenological Viewpoint
Validity	Does an instrument measure what it is supposed to measure?	Has the research gained full access to the knowledge and meanings of informants?
Reliability	Will the measure yield the same results on different occasions (assuming no real change in what is to be measured)?	Will similar observations be made by different researchers on different occasions?
Generalisability	What is the probability that patterns observed in a sample will also be present in the wider population from which the sample is drawn?	How likely is it that ideas and theories generated in one setting will also apply in other settings?

SOURCE: Easterby-Smith *et al.* (1991)

Combining Methodological Approaches

Although the above arguments demonstrate that the two main paradigms represent two extremes of a continuum (Collis and Hussey, 2003), Easterby-Smith *et al.* (1991) contend that when it comes to the issues of research designs, the distinction between the positivist and phenomenological approaches breaks down. A study may represent a blend of assumptions and methodologies (Collis and Hussey, 2003). Several writers (e.g., Jick, 1979; Mathison, 1988; Brewer and Hunter, 1989; Greene *et al.*, 1989; Morse, 1991; Bryman, 1992; Creswell, 1994; Miles and Huberman, 1994; Siu and Kirby, 1999) have increasingly written about combining the two approaches so as to capitalise on the strengths of both approaches, and to overcome the potential bias of a single-method approach (Punch, 2000; Collis and Hussey, 2003).

The use of multiple research approaches, methods and techniques within the same study is known as *triangulation* (Easterby-Smith *et al.*, 1991; Collis and Hussey, 2003; Saunders *et al.*, 2003). Denzin (1970) defines triangulation as the combination

of methodologies in the study of the same phenomenon. “The use of different methods by a number of researchers studying the same phenomenon should, if their conclusions are the same, lead to greater *validity* and *reliability* than a single methodological approach” (Collis and Hussey, 2003: 78). As noted by Gill and Johnson (1991), triangulation is also described as multi-methods/ multi-trait, or convergent validation, and in most cases it shares the notion of complementary qualitative and quantitative methodologies rather than competing approaches. Easterby-Smith *et al.* (1991) identify four types of triangulation:

Data triangulation refers to research where data is collected over different time frames or from different sources in the study of a phenomenon. This type of research is adopted in many cross sectional designs.

Investigator triangulation is where different researchers independently collect data on the same phenomenon, and the results are then compared. This is one of the advantages of a multi-disciplinary research team as it provides the opportunity for researchers to examine the same situation and to compare, develop and refine themes by using insights gained from diverse perspectives.

Methodological triangulation involves combining both quantitative and qualitative methods of data collection. Jick (1979) advocates this type of triangulation by utilising extremely diverse quantitative and qualitative methods of data collection in his research. These include the use of questionnaires, interviews, telephone surveys and field studies. Jick notes that triangulation is not an end in itself and not simply a fine-tuning of research instruments, but it is an imaginative way of maximising the amount of data collected.

Triangulation of theories is where a theory is taken from one discipline and then used to explain a phenomenon in another discipline. This can frequently reveal insights into data which had formerly appeared not to have much importance.

Despite the vital strengths of triangulation, there are a number of acknowledged difficulties associated with the combination of both quantitative and qualitative methods in the same study. Collis and Hussey (2003) argue that replication could be very difficult to perform when there is a mixed method approach, especially in cases where qualitative data are generated. Furthermore, data collection and

analysis in multi-methods are extremely time consuming and expensive (Gill and Johnson, 1991). Of course, there is also the problem of working with theoretically competing methodological philosophies. Nevertheless, triangulation provides researchers with various important opportunities and encourages productive research (Jick, 1979).

5.5 A Contextual Stepwise Approach to the Examination of the Potential Role of Entrepreneurship in Franchising

The diverse methodological approaches discussed above serve as a basis for selecting a suitable research approach for the present study. As highlighted in Section 5.3, a study on whether franchising is truly entrepreneurial should involve considerations of the applicability of the two main approaches to the study of entrepreneurship (the traits and the behavioural approaches) to the franchise context. An examination of these two dimensions suggests that this research requires a multi-staged procedure in order to aid understanding of the research issues. In addition, it is necessary to take into consideration the different cultural conditions and circumstances that exist in different franchise organisations because “what is ‘truth’ in research may not remain constant across cultures, sectors, and firms”, as Zinkhan and Hirschheim (1992) have suggested (cited in Siu and Kirby, 1999: 136). Morrison (2000) notes that cultural, societal, non-cultural as well as contextual factors certainly play a significant role in shaping entrepreneurial behaviour and action. Hence, it appears that the appropriate research strategy for this study should involve a multi-staged approach, which follows a co-ordinated research programme, and should also be adjusted according to the

situational factors (Siu and Kirby, 1999). Therefore, this study adopts the contextual stepwise approach proposed by Siu and Kirby (1999), and Kirby (2007). According to these authors,

“a contextual approach is not a case of using one technique or set of techniques in preference to another. Rather, projects are perceived as multi-staged – frequently involving, within one project, the use of both qualitative and quantitative approaches ... Each stage not only builds upon what has been learned in the previous stage, to make an incremental contribution to the established knowledge base, but is also contingent upon environmental variables” (Siu and Kirby, 1999: 136).

The evidence presented by Siu and Kirby (1999), amongst other important findings, demonstrated three aspects of the contextual stepwise research methodology that are particularly relevant for the present study: the use of a combination of *qualitative and quantitative approaches* to research within one project; the implementation of a ‘*staged*’ approach for understanding a phenomenon; and finally, the *contextualisation of cases* to show the representativeness of the key issues in different settings.

First and foremost, the methodology shows that both qualitative and quantitative approaches and techniques are useful for obtaining high research quality, as discussed in Section 5.4. Based on the study conducted by Bryman (1988), Punch (2000) highlighted different ways in which quantitative and qualitative approaches can be combined. Table 5.5 provides a summary of how some of the approaches were implemented in this study.

Table 5.5
Ways of Combining Quantitative and Qualitative Methods

Approaches for Combining Quantitative and Qualitative Methods	Examples in this study
Triangulation enables the findings from one type of study to be checked against the findings deriving from the other type, with the aim of enhancing the validity of findings	Since this study utilised a contextual stepwise research methodology, the multiple methods approach enabled triangulation. The findings obtained from both quantitative and qualitative studies were reviewed in relation to each of the issues under investigation
Qualitative research facilitates quantitative research	A preliminary focus group was conducted to explore the issues being addressed by the study. This made it possible to generate the survey items and research hypotheses for the quantitative study
Quantitative research facilitates qualitative research	The evidence from the quantitative survey enabled the researcher to identify the substantive context that was used for the follow-up case study research
Quantitative and qualitative research are combined in order to provide a general picture	Both quantitative and qualitative methods were appropriate for specific stages of the study
Quantitative research is especially efficient to investigate ‘structural’ features of social life, while qualitative studies are usually more appropriate for investigating ‘processual’ issues	The quantitative method was result orientated (e.g., quantitative research was used to identify different patterns of business circumstances that may favour or discourage entrepreneurship within the franchise outlet). On the other hand, the qualitative method was process orientated (e.g., qualitative research was used to investigate the process of any potential new value creation within the franchise outlet)
Studies can cover both the researchers’ and the subjects’ perspectives. Quantitative research is usually driven by the researchers’ concerns, whereas qualitative research takes the subject’s perspective as the point of departure	The quantitative research ensured that specific aspects which the researcher wanted to cover were addressed, while the qualitative research focused on understanding from the informant’s point of view
The addition of some quantitative evidence may help to mitigate the fact that it is often not possible to generalise (in a statistical sense) the findings deriving from qualitative research	The quantitative evidence provided an identification of a wide context for the follow-up in-depth study
A combination of quantitative and qualitative research can provide a means of bridging the gap between macro and micro levels of research	The quantitative findings from the survey attempted to provide representative findings for the population of franchisors and franchisees operating in the U.K.; this provided macro level information. On the other hand, the case studies conducted in specific organisational contexts provided micro level details

SOURCE: Adapted from Punch (2000)

By utilising both quantitative and qualitative research methods, this study also addressed some of the methodological shortcomings of existing franchising and

entrepreneurship research. Elango and Fried (1997) argued that almost all franchising research has been coarse-grained (essentially quantitative research), and qualitative research is almost non-existent. The coarse-grained approach often fails to capture the complexity and subtlety of actual business practice. This argument was reiterated by Gauzente (2002) who stated that the need for more qualitative approaches in franchising research is reflected in the statistics provided by Young *et al.* (2000), which shows that over a 13 year period (1986-1999), only 7.7 percent of the research in franchising has been qualitative. These researchers, therefore, suggest that more fine-grained research methods should be used in franchising research. Fine-grained methods such as case studies capture details of context by studying the phenomena in depth (Elango and Fried, 1997). Similarly, Gartner and Birley (2002) have also advanced arguments for the use of more qualitative methods in entrepreneurship research. They note that many of the important questions in entrepreneurship can only be asked through qualitative methods and approaches.

Secondly, in addition to adopting a battery of both qualitative and quantitative approaches, the contextual stepwise approach involves the use of a 'staged' approach in order to make an incremental contribution to the knowledge base. As utilised in Siu and Kirby's (1999) study, the approach consists of three stages: exploratory qualitative research to develop initial insights into the issues of interest and to understand the specific socio-cultural environments, followed by quantitative research to identify the substantive context, and then, qualitative research to provide in-depth knowledge. The authors note that the sequencing of stages should not be fixed; rather, it should be adjusted in accordance with the situational factors.

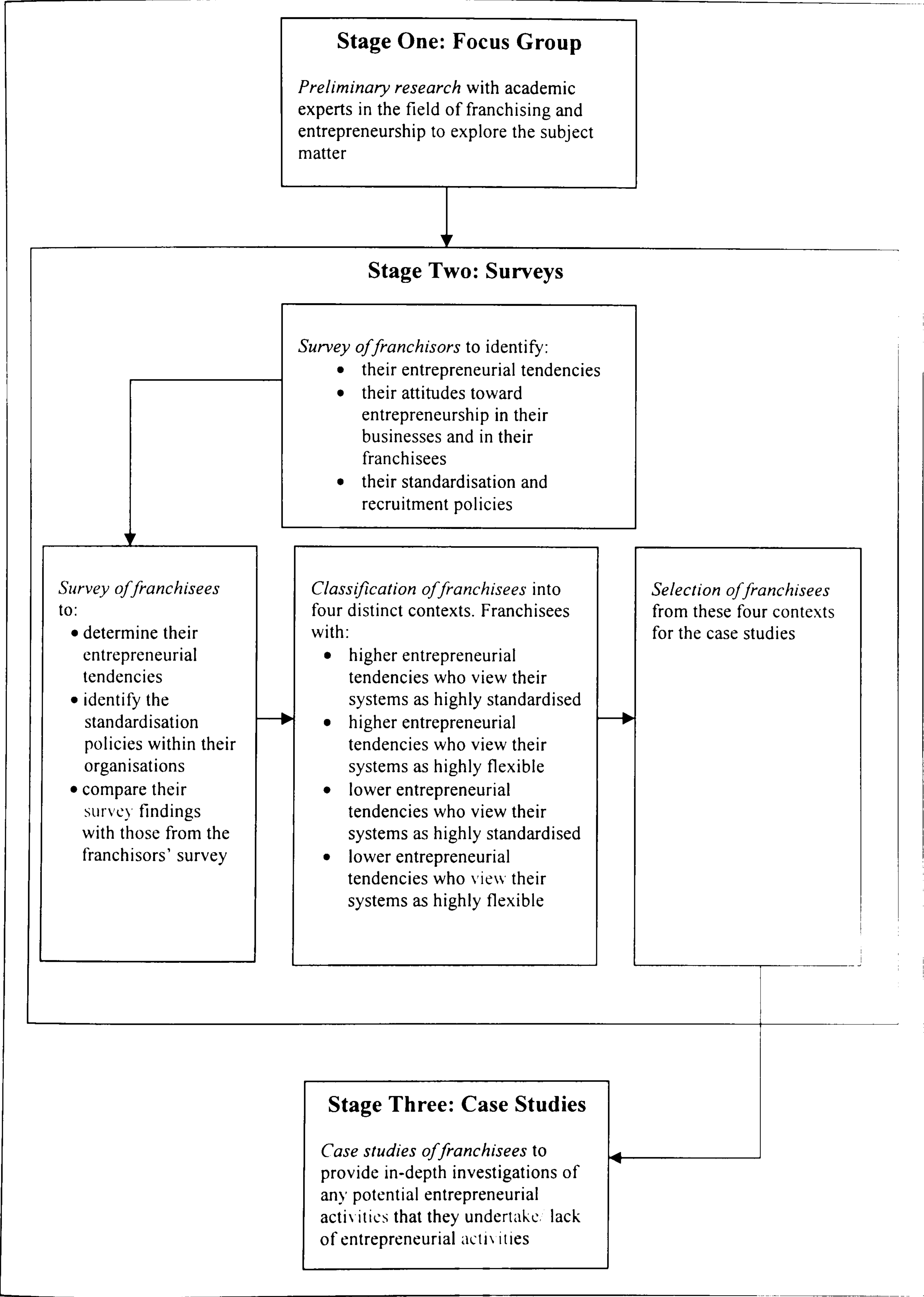
The above argument is similar to the *hermeneutic circle* described by Gummesson (2003). Hermeneutics is a general methodology for interpretation, and interpretation exists in all types of research, be they quantitative or qualitative.

“The hermeneutic circle states that in a research project we move from *preunderstanding* to *understanding*, where *understanding* from phase 1 furnishes the *preunderstanding* for phase 2, and so forth. There is thus an oscillation between what we knew and what we have learnt. But it is also a pendulum movement between the parts and the whole, where we can only give meaning to the part if we can put it into a systematic and holistic context” (Gummesson, 2003: 484, emphasis added).

According to Gummesson (2000), the concept of *preunderstanding* refers to an individual’s knowledge, insights, and experience into a particular problem and social environment prior to starting the research project. As such, it represents an input. *Understanding* refers to the insights gained during the research project. In other words, it represents an output, which in turn acts as *preunderstanding* before the next task. Gummesson (2000) notes that academic researchers do not give sufficient consideration to the significance of *preunderstanding* when choosing their scientific approach and methods, even though the hermeneutic circle can be illustrated by the statement: ‘no understanding without *preunderstanding*’. In fact, Gummesson (2000) contends that a more precise term for the hermeneutic circle ought to be the *hermeneutic spiral*. It is an iterative process whereby each stage of the research provides knowledge; in other words, a different level of *preunderstanding* is taken to each stage of the research.

Accordingly, the present study will build on both the positivistic and the phenomenological approaches consecutively, by employing a stepwise ‘staged’ approach in order to obtain a fuller and richer understanding of the potential role of entrepreneurship in franchising. The study is performed in three stages as shown in Figure 5.5.

Figure 5.5
Stages in the Research Design



In *stage one*, a preliminary focus group was held to explore the topic, and to identify the issues and questions that need to be addressed in the study. In *stage two*, follow-up surveys were held to test the hypotheses and to identify the substantive context. Two different surveys were conducted for this purpose, one for franchisors and the other for franchisees. Finally, in an attempt to provide in-depth knowledge, *stage three* involved a presentation and analyses of cases to demonstrate the issues as they apply in different contexts.

5.5.1 Stage One: Focus Group

The uncertainty surrounding the issue of whether franchising is entrepreneurial suggests that any attempt to research this area must be exploratory. A main feature of exploratory research is that the problem under scrutiny is only partly understood (Ghauri and Grønhaug, 2002) and there are very few studies to which a researcher can refer for information about the research problem or issue (Collis and Hussey, 2003). Thus, an exploratory study was adopted for the first stage of this research in order to gain a broader understanding and familiarity with the subject matter, and to provide a background for the investigations that will be carried out at the later stages (Collis and Hussey, 2003). Therefore, it was decided that the most appropriate methodology for this purpose should be a qualitative research approach that is informed by the phenomenological research philosophy.

Research Design

A focus group was utilised for the preliminary qualitative investigation conducted in stage one of the research. A focus group refers to a small group of people interacting with one another in order to seek information on a small (focused) number of issues

(Ghauri and Grønhaug, 2002). As a means of data collection, focus groups can take different forms, such as discussion groups, focused interviews, group interviewing and group research (Ghauri and Grønhaug, 2002). Focus groups are extremely useful as an exploratory research tool (Morgan, 1997) particularly when it is necessary to explore a known theme or topic (Easterby-Smith *et al.*, 1991; Saunders *et al.*, 2003).

Ghauri and Grønhaug (2002) and Saunders *et al.* (2003) summarised some of the advantages of utilising a focus group for data collection. Focus groups produce very rich and in-depth data because of the presence of several participants who enable a variety of viewpoints to emerge for discussion. In addition, they are a relatively quick, flexible and inexpensive method of data collection. Also, they give the researcher a chance to observe reactions of the participants in open and free conversation with each other, thereby enabling the researcher to interact directly with respondents, and to react and develop the discussion as it proceeds.

However there are problems. Ghauri and Grønhaug (2002) argue that this type of data collection makes it difficult to summarise and categorise the information obtained. It can also be difficult to gather people at a location, and the small number of willing participants might not be representative of the entire population. Moreover, the responses of the group members might be influenced by each other, or a group effect may emerge where certain participants effectively try to dominate the discussion (Saunders *et al.*, 2003). Fern (1982: 11) also argues that “the presence of other people may inhibit individuals participating in group discussions”. Nevertheless, when the technique and process are managed effectively, group interaction can lead to a highly productive discussion and a rich flow of data that can provide important insights (Saunders *et al.*, 2003). Therefore, a focus group was suitable for the initial exploratory research conducted in the first stage of this study.

Sampling Procedures

As noted by Morgan (1997), the planning for a focus group project includes a number of decisions regarding how the data will be collected. These decisions include the choice of the participants, the level of group structure as well as the level of moderator involvement, and finally, decisions concerning the size of each group and the number of groups in the overall project. Although, these decisions should be made based on various factors, such as the needs and purposes of a particular project, Morgan (1997) argues that a number of ‘rules of thumb’ have evolved over the years to capture the most common choices that researchers have made in terms of each of these decisions. According to these rules of thumb, focus group projects most often (a) use homogenous strangers as participants, (b) have 6 to 10 participants within a group, (c) have a total of three to five groups per project, and (d) rely on a relatively structured interview with high moderator involvement. While these rules of thumb are not a standard about how focus groups should be done, they provide a descriptive summary of how they are often done.

Consistent with the above, Ghauri and Grønhaug (2002) provide a number of useful guidelines for making the decisions outlined under (a) to (c).³ These authors identify a number of important factors that should be taken into consideration in the selection of participants for group interviews. The group interviewed should comprise a small number of individuals, normally around 10 people, who should discuss a specific topic/ issue under the directions of a facilitator/ moderator. A group that is too small (e.g., less than 5 individuals) or too large (e.g., greater than 10 individuals) can make the focus group become ineffective, as the participation of individuals can become too fragmented or too little. Further, there should be some homogeneity

³ The final decision outlined under (d) will be discussed in the next sub-section.

among the participants in a specific focus group, as a homogenous group will encourage more in-depth and open discussion. In instances where data are required from different groups of individuals, it is often better to arrange separate focus groups for different groups/ subsets of the population. Saunders *et al.* (2003) suggest that a sample of people with similar status and similar work experiences should be selected to construct each group. These selection criteria will reduce the effect of inhibiting important contributions, which may arise as a result of participants' perceptions about status differences, variations in work experience, or the dominance of certain class of individuals.

Drawing upon the above factors, care was taken with respect to the representativeness, size and composition of the focus group utilised for this study. The focus group participants were selected through purposive sampling, which was guided by the study's research questions as well as the key characteristics that were considered to be particularly relevant for the study (Bloor *et al.*, 2001). Essentially, participants were selected because of their knowledge of, and experience within, the franchising sector. Based on the research requirements of the exploratory study, a focus group was arranged with 8 academic experts⁴ in the field of franchising and entrepreneurship.⁵ Appendix A1 contains a detailed profile of the participants.

⁴ The participants were considered 'experts', and were included in the study if they had been working as an academic in the field of franchising and entrepreneurship for at least one year (See for example, Verheul *et al.*, 2004).

⁵ Initially, the research plan was to conduct three separate focus groups, where group one would consist of academic experts in the field of franchising and entrepreneurship, group two would comprise franchisors, and group three would consist of franchisees. The plan was to test the focus group data for reliability by comparing the responses from these three groups. Unfortunately, it was only possible to conduct the academic experts' focus group, as all efforts made to organise focus groups for the franchise practitioners were unsuccessful.

Conducting Focus Groups: Data Collection

Merton *et al.* (1990) offered four broad criteria for carrying out an effective focus group interview. An effective interview should cover a maximum range of relevant topics, provide data that are as specific as possible, foster interaction that explores the participants' feelings in some depth, and take into account the personal context that participants use in generating their responses to the topic. These criteria were summarised as range, specificity, depth, and personal context (Morgan, 1997). In determining the interview content for this study, the goal was to construct an interview that covers the subject matter at hand, while at the same time generating observations that satisfy Merton *et al.*'s (1990) four criteria for an effective focus group.

Although this type of interview takes the form of loosely structured 'steered conversations', it should never be entirely without any structure; the researcher should at least have a particular theme or themes that (s)he wishes to explore (Easterby-Smith *et al.*, 1991; Saunders *et al.*, 2003). Thus, in order to have some focus and direction during the course of the discussions, a set of themes that reflect the main areas of interest were generated from the literature. The themes were developed in relation to the research questions and objectives of the study, and they were organised into an interview guide. The interview guide was designed in such a way that while the general areas of interest are being covered, allowance was made for unforeseen areas to be explored in the course of the discussions.⁶

Decisions regarding the interview content also included determining the structure of the group discussions. Morgan (1997) suggests that the level of group structure is determined by choices about moderator involvement. Moderator

⁶ Appendix A2 contains a copy of the interview guide.

involvement refers to the management of the group dynamics, i.e., the extent to which the moderator either controls the discussion, or allows relatively free participation. While there are various strategies for combining different degrees of moderator involvement (Morgan, 1992), most projects tend to have a more structured (involving a higher level of moderator involvement), or less structured (involving a minimal level of moderator involvement) approach.

This study employed the funnel strategy described by Morgan (1997), which involves a compromise between the more structured and the less structured approaches. In a funnel-based interview, the group starts with a less structured approach that emphasises free discussion and then proceeds toward a more structured discussion of specific questions. In other words, it is an interview with a broad, open beginning, and a narrower, more tightly controlled ending. The compromise approach made it possible to hear the participants' viewpoints in the early part of the discussion, in addition to their responses to the researcher's specific interests in the later part of the discussion. Based on the funnel-based interview design employed in this study, the discussion moved from more general to more specific questions. The first part of the discussion (the less structured part) was based on asking the participants two broadly stated questions; while for the more structured part, five distinct questions were posed, with preplanned probes under each major topic/ question, where applicable. The discussion topics were organised into the interview guide discussed earlier. The structure that the guide imposes on discussions was valuable in channelling the group interaction.

Throughout the session, the moderator (i.e., the researcher in the present study) played an important role in ensuring that the discussion went smoothly and were kept focused. Ghauri and Gronhaug (2002) argue that the amount and nature of direction

provided by the moderator will influence both the quality and depth of the data collected, because in the worst case, the group discussion might not even cover the required topic/ issue at all.

The focus group for this study was conducted in May 2005 at the 19th Annual International Society of Franchising Conference, which was held at the University of Westminster, London. Bloor *et al.* (2001) argue that the main consideration in the choice of venue should be the possible impact of the venue on recruitment of participants, and considerations of convenience and accessibility. Thus, the choice of setting used in this study balanced the needs of the participants as well as that of the researcher (Morgan, 1997). The group session lasted for 60 minutes and the discussion was tape-recorded and later transcribed for analysis purposes.

Analytical Method

The analysis of qualitative data can be approached in various ways (See Coffey and Atkinson, 1996), and the analysis of focus group data should obviously draw on these established methods (Bloor *et al.*, 2001). According to Bloor *et al.* (2001), analysis can for instance take a conversation analytic approach (See, for example, Myers, 1998; Myers and Macnaghten, 1999), can focus on group dynamics (Kitzinger and Farquhar, 1999), or can concentrate on providing an understanding of the substantive issues in the data (Frankland and Bloor, 1999). Essentially, two key approaches have been documented in the literature for analysing focus group data: ethnographic summarisation, and systematic coding through content analysis (Blackburn and Stokes, 2000). This study utilised the ethnographic summarisation approach. Blackburn and Stokes (2000) also employed a similar approach to provide a detailed

understanding of the world of business owners in relation to a range of topical and business issues.

The analysis process began with the transcription of the focus group data. According to Bloor *et al.* (2001), the requirements of transcription of focus group data for substantive analysis are something that go largely unmentioned, and as a result, the significance of transcription is perhaps underestimated. Decisions do need to be made by the researcher regarding what is a suitable level of transcription for analysis purposes. A number of points should be adhered to when transcribing focus group data. First, all possible effort should be made to transcribe *all* recorded speech. This includes: *all* speakers, in instances where more than one person is talking, not just the dominant voice; all unfinished and interrupted speech; very brief extracts of speech, such as agreement with the main speaker, in the form of ‘mm’ or ‘yeah’. Second, speech should be transcribed as it occurs and not ‘tidied up’. This is because people do not speak in neat planned sentences; they repeat themselves, hesitate or pause, say ‘um’ and ‘er’, and go off track. Third, in addition to the content of the speech, other oral communications, such as laughter, should be noted. Finally, as far as possible, it is necessary to identify the speaker. However, speaker identification is not always possible, especially with short extracts of speech or where the speaker merely agrees with what has just been said. The speech should be marked as unidentified if there is any doubt about identification. Hence, in this study, every effort was made by the researcher to ensure that the transcript closely reproduced the group as it happened. The foregoing points were closely followed, and editing was kept to a bare minimum at the transcription stage, as an exact copy of the speech was required for analysis purposes.

After the transcription, the ethnographic summary was developed through repeated reading of the narratives for their underlying meaning, as recommended by Bender and Ewbank (1994). The summary was based on the identification of major themes in the transcript, together with notes made by the researcher during the focus group session. When the researcher has a clear sense of what the participants were trying to convey, quotations illustrative of key points were selected from the transcript and woven together with an accompanying narrative explanation. Themes identified in the analyses were of two types: ‘sought information’ which refers to expected themes; and ‘emergent themes’ which refers to unexpected insights offered by participants.

Contribution to Stage Two

As pointed out by Morgan (1997), focus groups can serve a number of different purposes in current social science research. Focus groups can be used as a *self-contained* research method in studies in which they serve as the principal source of collecting qualitative data, i.e., focus groups can be the basis of a complete study. Focus groups can also be used as a technique in *conjunction* with other methods, where they can either supplement another primary method, or combine with other qualitative methods in a true partnership.

In this study, the focus group played a supplementary role by providing considerable contributions to the survey research carried out in stage two. The development of the survey depended on the initial exploratory study in stage one because the group discussion served as a source of preliminary data for creating the survey questionnaires. This is consistent with Morgan’s (1997) argument that focus groups have been recommended as a means to construct questionnaires for more than

a decade (e.g., Rossi *et al.*, 1983; Converse and Presser, 1986). Morgan (1997) notes that there are three basic ways in which focus groups can contribute to the creation of survey items: (a) by capturing all the domains that need to be measured in the survey, (b) by determining the dimensions that make up each of these domains, and (c) by providing item wordings that effectively convey the researcher's intent to the survey respondent.

With regards to locating the domains that need to be covered, the use of the focus group in this study ensured that the researcher has a complete picture of the participants' thinking as much as possible, rather than having to simply rely on the researcher's assumptions about what is relevant. As a result, the initial use of a focus group made it possible to obtain a variety of viewpoints, new ideas and creative concepts, which provided a general background about the subject matter.

Following the recognition of the domains, the second task involved determining a set of dimensions that will 'cover' each domain. Again, the focus group served as an efficient tool for this task by generating a large number of ideas about the categories of items that are required to cover each questioning area.

The point discussed above is similar to the third way in which the focus group helped in the development of the survey. The findings obtained from the focus group provided insights into question wording by generating a number of key issues, which were used to develop the items that were included in the survey questionnaire. Thus, knowledge of how the participants discussed the subject matter helped in the overall design of the questionnaire.

Morgan (1997) points out that the three ways in which focus groups can contribute to generating survey questions correspond to a potential for reducing three different kinds of errors. First, locating the necessary domains reduces specification

error, which constitute a very severe problem in multivariate analyses, because the omission of relevant variables can bias the estimates for the parameters that do not get included in the model (Berry and Feldman, 1985). Second, the generation of items that appropriately cover a domain can reduce invalidity by making sure that the questions fully covers the content of the domain, as well as ensuring that the questions mean the same thing to the respondents as they do to the researcher. Finally, obtaining item wordings that are appropriate for the widest possible range of respondents not only improve validity but also minimises unreliability by minimising the differences in how the respondents interpret the questions.

Therefore, the preliminary use of a focus group provided substantial value for the present study by generating both the survey items as well as the research hypotheses that were tested in stage two. The focus group provided the basic knowledge concerning a number of key issues, which served as a guide for the survey study.

5.5.2 Stage Two: Survey Study

The second stage of this study was designed to measure the extent to which the insights obtained from the focus group prevailed. In particular, two distinct studies were conducted in this stage to compare franchisors and franchisees in terms of their entrepreneurial tendencies, and policies relating to entrepreneurship within their systems.

Research Design

For the second stage, the survey strategy, a type of positivistic methodology, was chosen to obtain the required information from the respondents. The choice of

strategy was informed largely by the research questions that were addressed in this stage.

Two main types of survey research, analytical and descriptive, have been identified in the literature (Gill and Johnson, 1991; Ghauri and Gronhaug, 2002; Collis and Hussey, 2003). *Analytical surveys* are concerned with determining whether there is any relationship between different variables. As such, this type of survey attempts to test a theory by trying to understand the relationship between the independent, dependent and extraneous variables. *Descriptive surveys* are concerned primarily with identifying and describing the particular characteristics of a specific population of subjects, either at a fixed point in time, or at varying times, for comparative purposes. As such, descriptive surveys are concerned with securing a representative sample of the relevant population in order to ensure that any subsequent assessment of the attributes of the population is accurate and the findings are generalisable.

Based on the requirements of the second stage, both analytical and descriptive surveys were employed. Analytical survey was used to identify the sort of factors that could influence entrepreneurial behaviours and activities within franchised outlets. Descriptive survey was used to provide a description of the entrepreneurial tendencies of franchisors and franchisees, and the standardisation and recruitment policies within franchise organisations. The overall investigation involved two different survey studies, one for franchisors and the other for franchisees.

Collection of the Quantitative Data

Two separate questionnaires were designed for the franchisor's and the franchisee's surveys, and both questionnaires followed a similar format.⁷ Essentially, the questionnaires were divided into three parts to assess the key aspects of the study. Part 1 was designed to measure the entrepreneurial tendencies of the franchisors and franchisees. As discussed in Chapter 3, a standardised instrument, the General Enterprising Tendency (GET) test, was adopted for this purpose (Durham University Business School, 1988).⁸ Part 2 of the questionnaire contained questions regarding the standardisation and recruitment policies within franchise organisations.⁹ It was designed to identify some of the conditions that encourage or discourage entrepreneurship within the franchised outlets. Part 3 was designed to gather some useful general information about the franchisors and franchisees.¹⁰

Prior to utilising the questionnaires for the survey, they were piloted with a small number of franchisors and academics in order to test the applicability of the issues, and to obtain comments on the contents as well as the structure of the questionnaires. The feedback from the pilot study was used to improve the questionnaires for the main study. This helped to establish both content and face validity of the questionnaires.

Sample Selection: Franchisors

In order to conduct the franchisor's survey, the researcher obtained permission from the Director General of the British Franchise Association (BFA) to conduct the survey at one of their main events. Thus, the franchisor's sample was made up of the

⁷ Serial codes were put on the questionnaires for identification purposes.

⁸ See Cromie (2000) for a critical discussion of other available approaches to assessing the entrepreneurial personality.

⁹ Only the franchisor's questionnaire contained questions relating to recruitment policies.

¹⁰ Appendices B1 to B4 contain copies of the franchisor's and the franchisee's questionnaires and covering letters.

franchisors who attended one of the main BFA's events, the October 2005 National Franchise Exhibition in Birmingham, U.K. As an incentive to participate in the survey, the researcher promised to give personalised personality profile feedback to respondents, as well as a copy of the results of the complete study. Approximately 209 franchise organisations were present at the exhibition,¹¹ and about 67 percent of the attendees agreed to participate in the study.¹² Thus, 141 questionnaires were distributed at the event to the franchisors who were willing to participate in the survey. A total of 55 completed questionnaires were returned 3 months after the exhibition, giving a 39 percent response rate. Several efforts were made to raise the response rate including numerous phone calls, e-mails, follow-up letters and reminders, but they yielded only minimal results.

Although the distribution of questionnaires at the franchise exhibition excludes some franchisors from this study (i.e. those that were not present at the event), there are several benefits from employing this sampling technique. First, the intention was to utilise this approach for the selection of franchisors in order to have a higher response rate as opposed to, for example, a random mail/postal sample, which is often associated with a very low response rate. Also, since the franchise organisations that were present at the exhibition were actually in the process of recruiting franchisees, some of the areas of interest in this research (which coincide with franchisee selection) were a real issue for them, and not a theoretical exercise.

¹¹ This represents about 28 percent of the total number of franchise organisations in the U.K. (the current edition of one of the major franchise publications in the U.K., *Franchise World Directory (2005)*, puts the number of franchise organisations in the U.K. at approximately 747). However, it is possible that some of the franchise organisations listed in the directory may no longer be in operation.

¹² Some of the exhibitors were not relevant for the study as they included banks/ building societies, lawyers/ solicitors, franchise consultants, newspapers/ magazine companies and companies providing services to franchisors. Thus, these categories of exhibitors were not approached to participate in the research project.

Table 5.5.2a
Comparison of Franchisor’s Sample with Franchise Directory Data

Business Characteristics	Sample ^a		Population ^b	
	Frequency	%	Frequency	%
Sector				
<i>Property and maintenance services, home improvements</i>	7	12.7	78	10.4
<i>Catering and Hotels</i>	3	5.5	76	10.2
<i>Cleaning and renovation services</i>	2	3.6	55	7.4
<i>Commercial services</i>	6	10.9	96	12.9
<i>Direct selling, distribution, wholesaling, vending</i>	3	5.5	91	12.2
<i>Domestic, personal, health and fitness, caring, and pet services</i>	2	3.6	64	8.6
<i>Employment agencies, executive search, management consultancy, training and teaching</i>	5	9.1	75	10.0
<i>Estate agents, business transfer agents, financial services and mortgage brokers</i>	5	9.1	39	5.2
<i>Parcel and courier services</i>	0	0	13	1.7
<i>Printing, copying, graphic design</i>	1	1.8	7	0.9
<i>Retailing</i>	4	7.3	101	13.5
<i>Vehicle services</i>	0	0	52	7.0
<i>Other</i>	17 ^c	30.9	n/a ^d	n/a
Total	55	100	747	100
Size				
<i>< 10 units</i>				
<i>10 – 49 units</i>	16	29.6	34	22.5
<i>50 – 99 units</i>	20	37.0	65	43.0
<i>≥ 100 units</i>	9	16.7	29	19.2
Total	9	16.7	23	15.2
	54	100	151	100
Age				
<i>≤ 5 years</i>	32	62.7	73	44.8
<i>6 – 10 years</i>	5	9.8	35	21.5
<i>11 – 15 years</i>	8	15.7	17	10.4
<i>16 – 20 years</i>	2	3.9	15	9.2
<i>> 20 years</i>	4	7.8	23	14.1
Total	51	100	163	100

Notes: ^a The sample consists of all the franchisors who took part in the survey (*N* = 55).
^b This represents the total number of franchise organisations in the U.K. (*N* = 747). The estimates are based on the figures provided in the Franchise World Directory (2005).
^c These 17 franchise systems were not listed in the franchise directory, and have been categorised as others.
^d *n/a* implies not applicable .

In an effort to examine the representativeness of the sample, the respondents were compared to the franchisors listed in the *Franchise World Directory (2005)* along the following dimensions: sector, size and age (Table 5.5.2a). The *sectors* were based on the classification provided in the *Franchise World Directory (2005)*, *size* was defined as the number of franchise outlets that the company has in the U.K., and *age* was defined as the number of years the company has been franchising in the U.K. Chi-square goodness-of-fit tests were performed between the sample and the data from the franchise directory on the size and age criteria.¹³ The test indicated that respondents were generally representative of the population along the size dimension at the 5 percent level of significance ($\chi^2=1.921$, $p=0.589$). However, the chi-square test showed that respondents were not representative of the population along the age dimension ($\chi^2=11.242$, $p=0.024$). The reason for this may be due to the sampling strategy employed for the study. Chi-square was not performed on the sector dimension because of the low sample frequencies within most of the sectors (i.e., 70 percent of the sector categories have expected frequencies that are less than 5, a condition which invalidates the chi-square assumption). However, Table 5.5.2a shows that most of the sectors were included in the survey.

The above analysis shows that it was difficult to conduct any meaningful statistical significance tests to ascertain the representativeness of the sample. This is mainly because there is no complete information on the age and size dimensions of the franchise systems operating in the U.K. As an alternative, the average figures of the size and age dimensions were compared with those provided in the annual *NatWest/ BFA Survey (2005)*. While the *NatWest/ BFA Survey (2005)* reports the average age of franchise systems operating in the U.K. as 10.3 years, and the average

¹³ Only limited information is available on *size* and *age* in the *Franchise World Directory*, and this tends to be provided by the more established (older) companies. Thus, any tests for representativeness are only indicative.

number of franchised units per system as 46.8, the average figures were 8.1 years and 65.1 respectively in the present study. However, it was unclear how the size and age dimensions were defined in the *NatWest/ BFA Survey (2005)*. It is possible that the *age* dimension included the number of years the company has been in existence *both* in the *U.K.* and *globally* (unlike in the present study where *age* was defined as the number of years the company has been franchising in the *U.K. only*). Also, it is possible that the *size* dimension included the number of franchise outlets that the company has *both* in the *U.K.* and *globally* (unlike in the present study where *size* was defined as the number of franchise outlets that the company has in the *U.K. only*).

Sample Selection: Franchisees

During the franchisors’ survey, franchisors were asked to indicate on their completed questionnaires if they would be prepared for their franchisees to be surveyed too, and 14 franchisors expressed an interest in this.¹⁴ The figure later dropped to 7 franchisors, as the remaining 7 opted out when it was time to conduct the franchisees’ survey. Thus, the franchisees’ questionnaires were mailed to franchisees within 7 organisations.¹⁵ In addition to a copy of the questionnaire, the mailing included a covering letter and a postage-paid reply envelope. About 3 weeks after the initial mailing, a reminder mailing was also sent out to those that had not responded.

Table 5.5.2b shows the breakdown of the respondents according to their organisations. Their franchise organisations are identified with serial codes (A to G) because respondents were promised confidentiality. The table shows that a total of 48 completed questionnaires were returned after the survey, which was conducted from

¹⁴ Franchisors who indicated an interest were contacted in order to find out the best way to administer the questionnaires to their franchisees. Some of the franchisors offered to distribute the questionnaires to the franchisees themselves, while others provided the contact details of their franchisees and asked the researcher to mail the questionnaires directly to the franchisees

¹⁵ As an incentive to participate in the survey, the researcher promised to give personalised personality profile feedback to the respondents.

December 2005 to May 2006, giving a 26 percent overall response rate. Several efforts were made to raise the response rate including numerous phone calls, e-mails, follow-up letters and reminders, but they yielded only minimal results.

Table 5.5.2b
Overall Questionnaire Return

Franchise Organisation	Number of Franchisees	Number of Respondents	Response Rate (%)
A	25	9	36
B	90	18	20
C	24	12	50
D	7	3	43
E	17	2	12
F	7	1	14
G	12	3	25
Total	182	48	26

In terms of the characteristics of the sample, the average *age* of the franchisees’ operations was 2.47 years (i.e., the average length of time that franchisees have spent within their franchise systems). The average *size* of the franchisees’ operations was 2 outlets (i.e., the average number of outlets owned by franchisees). The franchisees were from five industry sectors.¹⁶ *Sector 1*: Property & Maintenance Services, Home Improvement; *Sector 2*: Commercial Services; *Sector 3*:

¹⁶ The information provided by the franchisees during the survey was used to classify them into their appropriate sectors, according to the categories identified in the *Franchise World Directory* (2005). In a few instances where the organisation was not listed in the directory, the information provided on the franchisor’s survey questionnaire was used to classify the franchisees within such organisations into their appropriate sectors. This was to ensure consistency among all the franchisees within each organisation.

Direct Selling, Distribution, Wholesaling, Vending; *Sector 4*: Estate Agents, Business Transfer Agents, Financial Services & Mortgage Brokers; *Sector 5*: Business Support, Business Networking.

Analytical Techniques and Procedures

Collis and Hussey (2003) distinguished between two main ways in which quantitative data can be analysed. These are the use of *exploratory data analysis* (descriptive statistics) and the use of *confirmatory data analysis* (inferential statistics). Both techniques were employed in this study.

Exploratory data analysis was used to summarise, describe and present the quantitative data regarding the entrepreneurial tendencies of the franchisors and franchisees, as well as the recruitment and standardisation policies within the franchise systems.

Confirmatory data analysis was used to make inferences from the sample data, and two main inferential statistical procedures were employed in this study. These are the Mann-Whitney U test and the average treatment effect (ATE) method. The Mann-Whitney U test (the non-parametric equivalent of the t-test) was used to examine whether statistically significant differences exist between the franchisor's and the franchisee's responses on certain key variables. Such variables included their entrepreneurial tendencies as well as their standardisation policies. In addition, an ATE was performed to investigate the entrepreneurial inclinations of the franchisees further. The ATE approach was pioneered by Rosenbaum and Rubin (1983), and is a special case of an average partial effect. The method is applicable when the explanatory variable of interest is any binary variable (Wooldridge, 2002). This statistical approach assumes that there is an independently and identically distributed sample selected from a population. For the purpose of this study, the ATE approach

was implemented to present the estimates of the effects of psychological characteristics, industry sectors, and type of contract on franchisees' entrepreneurial behaviours. These set of predictors have been suggested to influence franchisees' entrepreneurial behaviours in the literature. The ATE approach was appropriate for the investigation given the binary nature of the dependent and independent variables. Being a non-parametric estimation also made this method particularly useful for the analysis as the sample sizes of the franchisors' and franchisees' survey were both small.

Contribution to Stage Three

The findings from stage two provided an indication of the entrepreneurial tendencies of franchisors and franchisees. Since “personality theorists agree that an individual's personality predicts his or her behaviour” (Funder, 1994; cited in Ciavarella *et al.*, 2004: 469), it follows that the personality traits of the franchisors and franchisees may have important implications for entrepreneurship. To this end, the findings from the survey provided the context for the in-depth investigation in the next stage, by identifying different types of business circumstances, which may encourage or discourage entrepreneurial behaviours within the franchised outlet. These provided different settings for investigating whether franchisees engage in entrepreneurial activities. As such, the evidence from stage two helped in the development of the overall research question for stage three – How applicable is the entrepreneurship framework (that was developed in Chapter 3) to the franchise context, and why?

5.5.3 Stage Three: Case Studies

Although the descriptive surveys in stage two identified the substantive context that may possibly favour/ inhibit the initiation of entrepreneurship in franchised outlets, it did not provide an opportunity to have a deeper and more detailed investigation of whether (and how) franchisees behave entrepreneurially. To improve the knowledge in this area, the third stage of this study focused on understanding the franchisees' behaviours, and the extent to which these behaviours might be consistent with theoretically defined concepts of entrepreneurship. In other words, the aim was to explain and understand the process of any potential entrepreneurial activities undertaken (or lack of entrepreneurial activities) within the franchised outlets.

Research Design

The research strategy adopted for the final stage was the case study method as described by Yin (2003). A case study can be defined as:

... an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1994: 13).

This definition emphasises that an important strength of case studies is the ability to undertake an investigation into a phenomenon in its context (Rowley, 2002). Yin (2003) attempts to distinguish the case study from alternative research strategies in social science by indicating three conditions for selecting an appropriate research method from experiments, surveys, histories, analysis of archival information, and case studies. The three conditions are the:

1. type of research question posed,
2. extent of control an investigator has over actual behavioural events, and
3. degree of focus on contemporary as opposed to historical events.

In general, the case study method should be the preferred research strategy when a ‘how’ or ‘why’ question is being asked about a contemporary set of events within some real-life context, over which the investigator has little or no control. This is because such questions (‘how’ and ‘why’ questions) deal with operational links that need to be traced over time.

Thus, the case study strategy was particularly appropriate for the purpose of this research because: (1) the overarching research question addressed in the final stage of this study was: *how* applicable is the entrepreneurship framework to the franchise context, and *why?*; (2) there was no need for the investigator to have control over the activities of the franchisors and franchisees; and (3) the interest of the researcher was to identify the potential role of entrepreneurship in the ongoing operations of the franchise business; an issue which is associated with contemporary business operations. In addition, the case study method was particularly suitable for the in-depth investigations conducted in the final stage because “carrying out intensive case studies of selected examples, incidents or decision making processes is a useful method when the area of research is relatively less known” (Ghauri and Grønhaug, 2002: 88-89).

Although the case study approach is a distinctive form of empirical inquiry, the strategy has been subject to harsh criticisms. Gummesson (2000) summarised the criticisms usually associated with case studies as a scientific method under the following three headings:

- Case studies lack statistical reliability and validity
- Case studies can be used to generate hypotheses but not to test them
- Generalisations cannot be made on the basis of case studies

However, Yin (2003) suggests that such criticisms are usually misdirected. For instance, although case studies are usually accused of yielding findings that cannot be generalised across settings (Patton and Appelbaum, 2003), Yin (2003) points out that the case study does not represent a ‘sample’, and in conducting a case study, an investigator’s goal is to expand and generalise theories (analytic generalisation) and not to list frequencies (statistical generalisation). In addition, Patton and Appelbaum (2003) have also opposed the frequent claim that case studies lack rigour due to the lack of standard methodological procedures. These authors note that formal methodologies for qualitative data collection and analysis have now been developed, particularly by Miles and Huberman (1994), for observing events, conducting unstructured interviews and coding qualitative data. Yin (2003) has also supplemented these methodologies by providing investigators with a wide range of specific procedures to be followed when conducting case study research.

These counter arguments demonstrate that the case study method can provide very productive findings when the strategy is used appropriately. Five components of a research design are particularly important when developing a case study design:

1. a study’s questions;
2. its propositions, if any;
3. its unit(s) of analysis;
4. the logic linking the data to the propositions; and
5. the criteria for interpreting the findings.

The first component, *the study's questions*, has already been described in the above discussion, which suggests that the case study strategy is most likely to be suitable when 'how' and 'why' questions are being posed by the researcher.

The *study's propositions* direct attention to something that should be investigated within the scope of the study. This is because the 'how' and 'why' questions in the first component basically capture what the researcher is really interested in answering – they do not point to what the investigator needs to study. Besides reflecting an important theoretical issue, the statement of propositions also informs the investigator about where to look for relevant evidence; the researcher will move in the right direction only when some propositions are stated. Although, some studies (e.g., an exploratory study) may have a legitimate reason for not having any propositions, Yin (2003) argues that theory development prior to the collection of any case study data is essential, whether the case study's purpose is to develop or test a theory. Theory development provides sufficient plan for the study through the use of theoretical propositions, usefully noted by Sutton and Staw (1995: 378) as "a [hypothetical] story about why acts, events, structure, and thoughts occur". Thus, the research design should provide strong guidance in identifying what data to collect and the strategies for analysing such data. Moreover, the use of theory in doing case studies is the main vehicle for generalising the results of the case study. Yin's (2003) preference for devising theoretical propositions prior to data collection, as a means to analyse data (Saunders *et al.*, 2003), suggests that Yin's approach takes a primarily positivistic and deductive approach to case study design (Rowley, 2002). Drawing upon the literature reviewed in Chapters 2 – 4, the propositions developed for this study are as follows:

Propositions regarding the Effects of Organisational Culture on Entrepreneurship within Franchise Outlets:

- (1a) regardless of franchisees' entrepreneurial tendencies, franchisees who view their franchise systems as highly standardised would perceive their organisational cultures to be uncondusive for entrepreneurship, and are likely to have franchisors who do not support and encourage them to engage in entrepreneurial activities;
- (1b) whereas, franchisees who view their franchise systems as highly flexible would perceive their organisational cultures to be conducive for entrepreneurship, and are likely to have franchisors who support and encourage them to engage in entrepreneurial activities.

Propositions regarding the Effects of Psychological Characteristics on the Entrepreneurial Behaviours and Activities of Franchisees:

- (2a) regardless of the degree of standardisation within franchise systems, franchisees who have higher entrepreneurial tendencies are more likely to display entrepreneurial behaviours / engage in entrepreneurial activities;
- (2b) whereas, franchisees who have lower entrepreneurial tendencies are less likely, or unlikely, to display entrepreneurial behaviours / engage in entrepreneurial activities.

Proposition regarding the Consequences of Franchisees' Entrepreneurial Activities:

- (3) the outcomes of franchisees' entrepreneurial activities would create new value for their outlets and the entire system.

The third component, *unit(s) of analysis*, relates to the problem of defining what the 'case' is. In general, the unit of analysis (the case) is related to the way the initial research questions are defined. The case being studied can be an individual person or several individuals. In such instance, the propositions stated will be required to help identify the relevant information about the individual(s) because in the absence of such propositions an investigator might not stay within feasible limits. The case can also be some entity or event that is not as well defined as a single individual. Given the nature of the research questions in this study, the appropriate unit of analysis were the franchisees.

The fourth and fifth components, *linking data to propositions* and *the criteria for interpreting the findings*, foreshadow the data analysis steps involved in case study research, and the research design should lay a good foundation for this analysis. Linking data to propositions can be done in several ways. One approach is the idea of ‘pattern matching’, where several pieces of information from the same case may be related to some theoretical proposition. Pattern matching as well as the criteria for interpreting the findings are discussed in detail shortly under the analysis section.

Hence, a complete case study research design should include five components, which should indicate what data are to be collected as shown in (1) – (3) above, as well as what is to be done after the data have been collected as shown in (4) – (5) above. As summarised in Figure 5.5.3a, the overall case study design can be categorised along two dimensions reflecting the number of case studies contributing to the design and the number of units of analysis in each case study (Rowley, 2002). Four major types of designs for case studies can be identified in relation to these dimensions: single-case (holistic), single-case (embedded), multiple-case (holistic), and multiple-case (embedded) designs.

Figure 5.5.3a
Case Study Designs

	Single-Case Designs	Multiple-Case Designs
Holistic (single unit of analysis)	Type 1	Type 3
Embedded (multiple units of analysis)	Type 2	Type 4

SOURCE: Rowley (2002)

A multiple-case study design was employed in this study as the issues under investigation required more than a single case. Although multiple-case study designs are more expensive and time-consuming to conduct, the evidence from such designs is often considered to be more convincing, and the entire study is usually regarded as being more robust (Herriott and Firestone, 1983). Hence, the analytic benefits from having two or more cases are usually substantial. In addition, the individual cases in this research required only one main unit of study (the franchisee). Hence, a multiple-case (holistic) design was the appropriate case-study design for the final stage of this study.

Case Selection

The findings from the surveys conducted in stage two were used to construct a four-fold typology, which provided the context for the case study (See Figure 5.5.3b). The cells in the figure show four distinct contexts that can influence the initiation of

entrepreneurship within franchised outlets, based on the recruitment and standardisation policies within franchise systems.

Figure 5.5.3b

Circumstances that may Influence the Initiation of Entrepreneurial Activities within Franchised Outlets

Franchise System ¹⁷ Franchisees' ¹⁸ Entrepreneurial Tendencies	Highly Standardised	Highly Flexible
Higher Entrepreneurial Tendencies	Cell 1: Franchisees with higher entrepreneurial tendencies who view their franchise systems as highly standardised.	Cell 3: Franchisees with higher entrepreneurial tendencies who view their franchise systems as highly flexible.
Lower Entrepreneurial Tendencies	Cell 2: Franchisees with lower entrepreneurial tendencies who view their franchise systems as highly standardised.	Cell 4: Franchisees with lower entrepreneurial tendencies who view their franchise systems as highly flexible.

¹⁷ Based on the franchisees' responses during the survey, the following criteria was used to categorise their franchise systems as either *highly standardised* or *highly flexible*: a franchise system was regarded as *highly standardised* if the franchisee indicated during the survey that his/ her franchisor provides a process for franchisees to undertake less than two of the five types of innovative activities that were assessed: introduction of new products, introduction of new services, introduction of new methods of production/operation, introduction of new sources of supply, opening up of new markets.

On the other hand, a franchise system was regarded as *highly flexible* if the franchisee indicated during the survey that his/ her franchisor provides a process for franchisees to undertake more than two of the five types of innovative activities.

Less than two and *more than two* types of innovative activities were used as the rule of thumb for the classification because at least four of the five types of innovative activities will be applicable to all types of organisations (only the introduction of new products / services may not be applicable to all organisations).

¹⁸ The criteria for categorising franchisees into whether they have *higher* or *lower entrepreneurial tendencies* were as follows: franchisees were classified as having *higher entrepreneurial tendencies* if the survey results show that they obtained the average GET scores (or greater) on three or more entrepreneurial qualities: need for achievement, need for autonomy/independence, creativity, risk-taking, and internal locus of control.

On the other hand, franchisees were classified as having *lower entrepreneurial tendencies* if they obtained the average GET scores (or greater) on less than three of the five entrepreneurial qualities.

All the franchisees who indicated an interest to take part in the case study were classified according to the above typology, and a similar classification was also done for their franchisors in order to check for any mismatches between their survey responses.¹⁹ After classifying all the qualified case study candidates, the following criteria were used to screen them for the final selection:

- *The franchisees were drawn from each cell of the four-fold typology.* Since the aim of the case study was to examine the extent to which franchisees behave entrepreneurially within their outlets, it was important to examine these processes within the four different circumstances identified in the typology. Based on the classification of the franchisees according to their organisations, *cells 1, 2 and 4* each had only one franchisee that was willing to take part in the case study. Hence, the selection of cases within these three cells was straightforward;
- On the other hand, *cell 3* had nine franchisees that were willing to take part in the case study (one franchisee from organisation A, two franchisees from organisation B, and six franchisees from organisation C). Thus, in the first instance, *one franchisee was chosen from each franchise organisation within cell 3 amongst those that indicated during the survey that they had engaged in innovative activities since they had been with their franchisors.* The rationale for this choice was to examine how different organisations approach the entrepreneurial process;
- In addition, *one franchisee was selected from organisations B and C amongst those that indicated during the survey that they had never engaged in any type of innovative activities since they had been with their franchisors.*²⁰ This criterion was considered important in order to examine why some franchisees engage in entrepreneurial activities and others do not, given that these franchisees had similar circumstances – highly entrepreneurial franchisees and highly flexible franchise systems.

The above screening process generated a total of eight franchisees who were chosen for the case study in order to provide information-rich cases for the issues of interest. However, one of them opted out when it was time to conduct the interviews, bringing the final number of cases to 7.

¹⁹ At the end of the stage two questionnaire, a question requesting the franchisee's permission to interview them in more depth was included. Specifically, franchisees were asked to indicate whether they would like to be involved in the next stage of the study, which involves in-depth interviews with them in order to examine the extent to which they behave entrepreneurially within their outlets. A total of 12 franchisees indicated their willingness to participate in the in-depth interviews.

²⁰ With regards to this criterion, no choice was made within organisation A, as this system had no other franchisee within cell 3 that was willing to take part in the case study.

Figure 5.5.3b reveals that the cases were selected within each of the four categories following the replication logic (Yin, 2003). Yin (2003) argues that in multiple-case studies, each case must be carefully selected so that it either: (a) predicts similar results (a *literal replication*) or (b) predicts contrasting results but for predictable reasons (a *theoretical replication*). “Literal replication entitles choosing cases that have similar settings and are expected to achieve similar results. The theoretical replication approach is used when cases have different settings and are expected to achieve different results” (Shakir, 2002: 192-193). In this study, the comparison of cases within each category represents *literal replication*, while the comparison of cases across certain categories (e.g., Cell 2 and Cell 3) represents *theoretical replication*. Thus, the cases were selected using a maximum variation sampling strategy, which is a type of purposive sampling technique in which cases have diverse variation (Patton, 2002; Saunders *et al.*, 2003).

Conducting Case Studies: Data Collection

Prior to conducting the case studies, the preparatory tasks for the data collection involved the development of a *protocol* for the investigation and the *screening* of candidate cases, as recommended by Yin (2003).

The *case-study protocol* contains the instruments as well as the procedures and general rules to be followed in using the protocol. As noted by Perry (1998), the development of the case study protocol assists the research in two ways. First, the protocol allows the researcher to detail in advance the procedures and requirements to be followed during data collection. Second, the protocol provides direction for the researcher: it keeps the investigator targeted on the subject matter. As such, the protocol is a major way to improve the reliability of research findings. Yin (2003)

argues that having a case study protocol is desirable under all circumstances, but is particularly essential when doing a multiple-case study.²¹

The goal of the *screening process* is to ensure that the final selection of the individuals who will serve as the case studies are properly identified prior to the formal data collection. This process is important because there may be many qualified case study candidates from whom the multiple cases need to be chosen from. The screening process employed in this study was discussed in the previous sub-section.

After the preparatory steps, the next task involved conducting the case studies by collecting the required evidence. Yin (2003) argues that evidence for case studies may come from six main sources: documents, archival records, interviews, direct observation, participant-observation and physical artifacts. All six sources of evidence may be relevant in conducting the same case study, and the benefits from these six sources of evidence can be maximised by following three principles regarding the data collection process:

- (a) using multiple, not just single, sources of evidence (evidence from two or more sources, but converging on the same set of facts or findings; a process of triangulation discussed in Section 5.4.);
- (b) creating a case study database (a formal assembly of evidence distinct from the final case study report); and
- (c) maintaining a chain of evidence (explicit links between the questions asked, the data collected, and the conclusions drawn).

When used properly, the principles are particularly important for doing high-quality case studies because they can help to address the problems of establishing the construct validity and reliability of the case study evidence. Accordingly, the three principles were implemented in this study as discussed below.

²¹ Appendix C1 shows the protocol that was used in this study.

The use of multiple sources of evidence. Two sources of evidence, documentation and interviews, were utilised in this study to address the potential problem of construct validity. With regards to the use of documentation, the researcher analysed the websites of the franchise organisations under consideration. In addition, semi-structured interviews were conducted with the franchisees.²² This type of interview was appropriate as the use of open-ended questions made it possible to gain detailed understanding of the franchisees' experiences. Although the interviews were only verbal reports and are subject to the common problems of bias, poor recall, and poor or inaccurate articulation, the evidence obtained from this source were strengthened because the interview data were corroborated with information from the franchisor's survey. Each interview lasted between 60 and 90 minutes, and tape-recording as well as some note taking was used to record the information obtained from the interviews.²³

The creation of a case study database. This principle deals with the technique utilised for organising and documenting the data collected for the case studies. In this study, the researcher created a database which included notes, and transcribed text from tapes recorded during the interviews; and narratives, which contain the open-ended answers composed by the researcher to the questions in the case study protocol. Hence, the existence of a case study database increased the reliability of the entire research.

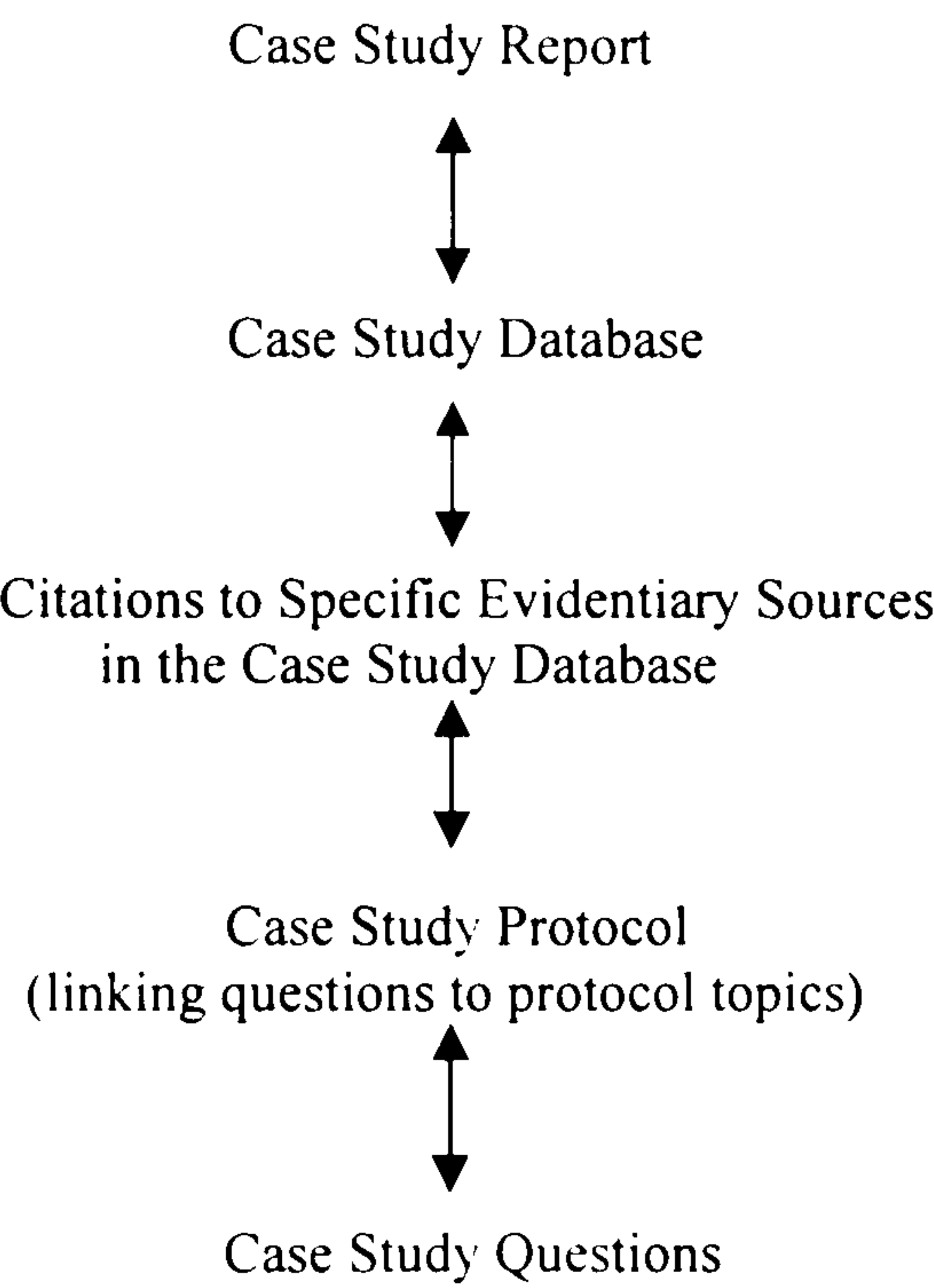
Maintaining a chain of evidence. This principle enables an external observer to follow the derivation of any evidence, ranging from the initial research questions to

²² Before proceeding with the case study interviews, the researcher sought approval from her Departmental Ethics' Committee. The purpose of the interviews was explained in a letter addressed to the Chair of the committee, and a copy of the interview schedule was also attached.

²³ The case study protocol in Appendix C1 contains the questions which served as a guide for the researcher while formulating the questions posed to the interviewees (Rowley, 2002). The case study questions were derived from the literature, and were developed for the issues to be addressed in the study.

the final case study conclusions. The external observer should also be able to trace the steps in either direction – from conclusions back to the initial research questions, or from questions to conclusions. Figure 5.5.3c illustrates the chain of evidence maintained in this study, following Yin’s (2003) suggestion. A chain of evidence was constructed and maintained in this study by creating a detailed case study database and by allowing the research questions to constantly inform the data collection. Thus, this principle increased the overall quality of the case study by addressing the problem of construct validity and reliability of the information.

Figure 5.5.3c
Maintaining a Chain of Evidence



SOURCE: YIN (2003)

Analytical Strategies and Procedures

Yin (2003) contends that the analysis of case study evidence is particularly difficult because the strategies and techniques have not been well-defined. A higher priority than mere familiarity with various analytic tools and manipulative techniques is to have a *general analytic strategy* in the first place – defining priorities for what to analyse and why. This strategy will help the investigator to treat the evidence fairly, produce compelling analytic conclusions, and rule out alternative interpretations. Three of such strategies are: relying on theoretical propositions, setting up a framework based on rival explanations, and developing case descriptions. Without such strategies (or alternatives to them), Yin (2003) argues that case study analysis will proceed with difficulty because the researcher may have to ‘play with the data’ in a preliminary sense, as a prelude to developing a systematic sense of what is worth analysing and how it should be analysed. The three general strategies outlined above, underlie the five *specific techniques* for analysing case study data: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. These techniques are especially intended to deal with the problems of developing both internal and external validity when doing case studies.

The *general strategy* chosen for this research was to follow the theoretical propositions that actually led to the case study. Yin (2003) argues that relying on theoretical propositions is the most preferred strategy; the original objectives and design of the case study should have presumably been based on such propositions, which in turn reflect a set of research questions, reviews of the literature, and new hypotheses or propositions. As such, the propositions provided a theoretical orientation for guiding the case study analysis – they helped to focus attention on

certain data and to ignore other data; and they also helped in the organisation of the entire case study and in defining alternative explanations to be examined.

The *specific analytic technique* utilised as part of, and along with, the general strategy described above was the ‘pattern matching’ approach. This is one of the most desirable techniques for analysing case study data (Yin, 2003). The pattern matching approach was also utilised in a study conducted by Zerbinati and Souitaris (2005) to explore the potential role of entrepreneurship in public sector organisations. Essentially, the approach involves comparing an ‘empirically based pattern’ with a ‘predicted pattern of outcomes’ that are based on theoretical propositions. The results strengthen the internal validity of a case study if the patterns coincide. As described by Saunders *et al.* (2003) and Yin (2003), the stages of the pattern matching procedure utilised in this study were as follows:

- the establishment of a conceptual or analytical framework utilising existing theory, and
- testing the adequacy of the framework as a means to explaining the findings. This involves comparing the pattern of the data with the pattern predicted through the conceptual framework. (If the pattern of the data matches that which has been predicted through the conceptual framework then an explanation is found, where possible threats to the validity of the conclusions can be discounted.)

Issues of Reliability and Validity of the Procedures

Since the case study strategy is one of the several ways of doing social science research, Yin (2003) argues that the four widely used tests for establishing the quality of any empirical social research – construct validity, internal validity, external validity, and reliability – are also relevant to case studies. The author recommended several tactics for dealing with these four tests when conducting case studies, as well as a cross reference to specific research phases when the tactic should be used (Figure 5.5.3d).

Figure 5.5.3d
Case Study Tactics for Four Design Tests

Tests	Case Study Tactic	Phase of Research in which Tactic Occurs
Construct Validity	<ul style="list-style-type: none"> • Use multiple sources of evidence, in a manner encouraging convergent lines of inquiry * • Establish chain of evidence * • Have key informants review draft of case study report * 	Data collection Data collection Composition
Internal Validity	<ul style="list-style-type: none"> • Do pattern-matching * • Do explanation-building • Address rival explanations • Use logic models 	Data analysis Data analysis Data analysis Data analysis
External Validity	<ul style="list-style-type: none"> • Use theory in single-case studies • Use replication logic in multiple-case studies * 	Research design Research design
Reliability	<ul style="list-style-type: none"> • Use case study protocol * • Develop case study database * 	Data collection Data collection

NOTE: * indicates the tactics that were applied in this study

SOURCE: Yin (2003)

The tests and tactics were incorporated in this study as discussed below.

Construct Validity. The first test deals with establishing correct operational measures for the concepts being studied. To meet the test of construct validity in the present study, an attempt was made to develop and specify sufficient and significant operational events that constitute entrepreneurship. Since there is no universal definition of the concept, entrepreneurship is seen as the process of creating new value as discussed in Chapter 3. Thus, the plan was to demonstrate whether (as well as, how and why) this process occurs within the franchise context. As shown in Figure 5.5.3d, three tactics were used to increase construct validity in this study: the use of *multiple sources of evidence* (during data collection); the creation of a *chain of*

evidence (during data collection); and the *review of the case study report* by the franchisees (during composition).

Internal Validity. This test deals with establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. Yin (2003) argues that the concern over internal validity may be extended to the broader problem of making inferences. A case study involves an inference every time an event cannot be directly observed. A researcher will infer that a particular event resulted from some earlier occurrence, based on the interview and documentary evidence collected for the case study. But then, is the inference correct? Have all the rival explanations and possibilities been considered? Is the evidence convergent? Does it appear to be sound? Questions such as these were anticipated in the research design as an initial attempt for dealing with the threat to internal validity. These were complemented by employing the analytic tactic of *pattern matching* to address internal validity (Figure 5.5.3d).

External Validity. The third test deals with establishing the domain to which a study's findings can be generalised – the problem of knowing whether a study's findings are generalisable beyond the immediate case study. In the present study, the theory that led to the case study helped in the identification of other cases to which the results could be generalised. In order to have analytical generalisation, and to provide strong support for the theory, the theory was tested by replicating the findings in a number of other cases where the theory has specified that the same results should occur. As such, replication logic was implemented for the multiple-case studies in this research (Figure 5.5.3d).

Reliability. This deals with demonstrating that the operations of a study – such as the data collection procedures – can be repeated, with the same results. Specifically,

with respect to case study, the objective is to be certain that if a later investigator followed the same procedures, as described by an earlier investigator, by conducting the same case study all over again, the later investigator will arrive at the same findings and conclusions.²⁴ Hence, the aim of reliability is to reduce the biases and errors in a study. In order to increase the reliability of the entire research, the present study utilised a *case-study protocol*, which kept the investigator targeted on the subject matter as well as a *case study database* for organising and documenting the data collected for the case studies (Figure 5.5.3d).

Contribution to Present Study

The final stage of the study aimed to provide an in-depth understanding of the entrepreneurial orientations within franchise systems. The analysis was based on four diverse and contrasting research contexts that may influence entrepreneurship within franchised outlets, based on the recruitment and standardisation policies within franchise systems:

Context (1): Franchisees with higher entrepreneurial tendencies who view their franchise systems as highly standardised.

Context (2): Franchisees with lower entrepreneurial tendencies who view their franchise systems as highly standardised.

Context (3): Franchisees with higher entrepreneurial tendencies who view their franchise systems as highly flexible.

Context (4): Franchisees with lower entrepreneurial tendencies who view their franchise systems as highly flexible.

²⁴ Note that the emphasis is on conducting the *same* case over again, rather than on *replicating* the results of one case by doing another case study.

The overall findings from the analyses of the cases within these contexts are expected to provide detailed understanding of the antecedents and consequences of entrepreneurial activities (or lack of entrepreneurial activities) within franchise systems.

5.6 Chapter Summary

The role of entrepreneurship in franchising and the ways in which entrepreneurial activity may be manifested is still poorly understood. Based on a review of previous literature in Chapters 2 to 4, this study argued that detailed examination of the franchisors' and franchisees' personalities and behaviours should be carried out in order to have a better understanding of the relevance of entrepreneurship to franchising.

In order to accomplish the objectives of the study, this chapter implemented the contextual stepwise approach proposed by Siu and Kirby (1999), and Kirby (2007). This involved the use of qualitative research (focus group) to explore the issues; quantitative research (questionnaire surveys) to identify the substantive context; and finally, qualitative research (case studies) to provide in-depth knowledge and understanding. The stepwise approach is based on the hermeneutic principle where each step or stage of the process builds upon the previous one in order to make an incremental contribution to the knowledge base. However, Siu and Kirby (1999) note that the approach also has its pitfalls. The major limitation is that the research error in one stage may be transmitted, or even compounded, in the subsequent stages. If there is an error in any of the stages, the total error at the end of the research could be substantial. Hence, based on the authors' advice, this study has attempted to ensure

that the techniques in each step were applied rigorously, correctly, and appropriately so as to minimise the research error. The findings of the study are discussed in the following two chapters.

PART IV: RESULTS

Chapter 6

Results I: Focus Group and Survey Results

6.1 Introduction

The purpose of this chapter is to report the findings from the preliminary qualitative investigation (focus group) conducted in stage one of the research, and those of the follow-up quantitative study (questionnaire surveys) conducted in stage two. The aim was to provide a broader understanding and familiarity with the main research issue addressed in this study, and to provide a framework for the in-depth case studies carried out in the final stage of the research. The results in this chapter are divided into two main parts. The first part contains the findings from the focus group. This includes a discussion of the definitional issues associated with the entrepreneurship concept, and a consideration of franchising and entrepreneurship from the franchisor's and franchisee's perspectives. The second part contains the survey results. This includes discussions on the entrepreneurial characteristics of franchisors and franchisees, the recruitment and standardisation policies within franchise systems, and explanations of the entrepreneurial behaviours of franchisees.

6.2 Findings from the Focus Group

The focus group session was conducted with 8 academic experts in the field of franchising and entrepreneurship, at the May 2005 19th Annual International Society of Franchising Conference in London. The purpose of the focus group was to provide

exploratory findings on the main research issue addressed in this study, which was to examine whether franchising is entrepreneurial. The following sections present an ethnographic summary of the focus group findings using direct quotes, with narrative explanation. It should be noted that the findings presented below highlight the main points that came out of the discussion, and do not necessarily imply that there was an agreement among all the participants on each of the key points.¹

6.2.1 Definitional Issues

The focus group findings revealed that one of the largest obstacles in demonstrating whether franchising is entrepreneurial is the lack of a standard definition of entrepreneurship. Participants started the focus group session by attempting to clarify the definition of the entrepreneurship concept. The objective of this part of the session was to explore the definition(s) of entrepreneurship that would be utilised by participants for demonstrating whether, or not, franchising is entrepreneurial. As revealed in the following quotations and subsequent discussions, it was apparent from the findings that entrepreneurship is difficult to define, reinforcing the view from the literature that there is still no agreement among researchers and practitioners about what precisely entrepreneurship is:

“I know that entrepreneurship is difficult to define because each entrepreneur has his or her own track story. I mean there are many different ways to get there”.

“We have lots of definitions about entrepreneurship. It seems that some people in the entrepreneurship field want to curb everything as entrepreneurship. I think we have to sort of draw a line”.

“... the characteristics of an entrepreneur are a bundle of things and they differ with different people”.

¹ Appendix A3 contains the transcript of the focus group.

After much deliberation by the participants, the main features that were linked to the definition of the entrepreneurship concept included opportunity recognition, innovation, creativity, risk-taking, drive, autonomy, initiative, as well as hard work. These features are consistent with the current debate in the entrepreneurship literature (See, for example, Zerbinati and Souitaris, 2005; Zhao, 2005; Gürol and Atsan, 2006):

“I would say it [entrepreneur(ship)] is someone who recognises an opportunity, a business opportunity ... ”.

“It [entrepreneurship] certainly goes beyond just working for yourself. I think a point of confusion a lot of times is that just anybody that works for himself is an entrepreneur and I don’t believe that. I think it is more than that you know. It has to do with something like you said [referring to another participant], recognising an opportunity, or some kind of innovation, creativity”.

“The importance I think is taking risks ... ”.

“One of the things entrepreneurs ... have is a lot of drive, autonomy. You know, they have tried for their ideas and they sort of, they want to take ownership of that, and combine that with some creativity”.

“Entrepreneurs are very autonomous entities and they will want to do their own thing”.

“ ... entrepreneurs are supposed to be independent minded, they value their autonomy, their own way of thinking ... ”.

“Entrepreneurs are people with initiative, hard workers with initiative”.

Another issue that arose from the focus group was the time horizon required for labelling a person as an entrepreneur, as one of the participants noted: “If you are an entrepreneur and started a whole bunch of businesses [in the past] and now you go away and do something else, are you still an entrepreneur, or is it just what you are doing currently that defines whether you are an entrepreneur? That is a question”. In response to this, it was noted that: “ ... at any point in time you have to ... say whether a person is an entrepreneur or not, because of what they are doing right now, at that particular point in time”. These issues reflect the sorts of debate that are

encountered within the entrepreneurship literature (e.g., Kaufmann and Dant, 1999). The findings from the focus group are consistent with Antoncic and Hisrich's (2004: 520-521) view that "entrepreneurship exists only when new combinations are actually carried out and ceases when this process is completed" (Bull and Willard, 1993).

6.2.2 Franchising and Entrepreneurship: The Franchisor's and Franchisee's Perspectives

This section examined whether (and how) the different views on what constitute entrepreneurship are applicable to the franchise context. It was noted by the focus group participants that the issue of whether franchising is a form of entrepreneurship depends on what constitutes 'real' or 'true' entrepreneurship. In spite of the definitional ambiguities associated with the entrepreneurship concept, the focus findings revealed that the question of whether franchising is really entrepreneurial can be investigated from two perspectives: the franchisor's and the franchisee's.

With regards to the franchisor's perspective, an important issue that arose from the focus group was the degree of originality in each franchise concept. The participants deliberated whether *all* franchisors are automatically entrepreneurs because some franchise concepts are not based on original ideas, as two of the participants stated: "There are lots of copycat franchisors" for instance, "all these burgers, burgers, there is not only one burger franchise, there are 100s of burger franchises". After much discussion, it was suggested that such mimicking businesses should also be regarded as entrepreneurial ventures because, first, the franchisors that started such ventures are independent business owners who would also be in competition with the organisation whose concept is being copied. One participant stated that:

“If McDonalds is out there doing their thing and you came along and started up Burger King, to me you are an entrepreneur. Because even though you are copying somebody it is a different business, and you are going to be in competition with the person you are copying ... Yes, well, I mean because you are not a franchisee first of all, you are an independent business person”.

The focus group findings above are consistent with Bruyat and Julien's (2000) argument that entrepreneurship is a process of change, emergence and creation: creation of new value for the environment, but also, and at the same time, a process of change and creation for the individual. In order to show the heterogeneity of the entrepreneurship phenomenon, Bruyat and Julien argued that 'entrepreneurial imitation' constitutes a dimension of entrepreneurship. According to them, although there may be no significant new value creation (i.e., innovation) from the establishment of an enterprise, the venture produces a lot of changes for the individual, and such changes involve a great deal of uncertainty. For example, entrepreneurs must learn their new trade in order to ensure that the business survives; the learning process is likely to be long, and any mistakes made may be costly. Although they acknowledged that the 'entrepreneurial imitation' dimension is one of the subjects of much debate, it was noted that, in reality, most entrepreneurs create very minimal new value.

While the focus group participants suggested that, generally, franchisors are entrepreneurs, there was little consensus among the participants on whether franchisees could also be regarded as entrepreneurs, as shown in the following excerpt:

“I, for one, will say that franchisors by and large, not perhaps all, but by and large franchisors are entrepreneurs. Well, 'founding' franchisors are entrepreneurs. But I am getting less and less convinced that franchisees are entrepreneurs”.

The views of the participants on this issue are consistent with the current debate in the franchise literature (e.g., Lim and Frazer, 2004; Weaven, 2004; Clarkin and Rosa, 2005), whereas franchisors are often regarded as entrepreneurs, franchisees conversely have been characterised as the antithesis of entrepreneurs.

With regards to the consideration of franchising and the entrepreneurship concept from the franchisee's perspective, the participants' discussions focused on multiple dimensions, beginning with the nature of the franchise concept as shown in the following illustration:

“By definition, business format franchising in general looks for uniformity ... The whole idea of the operating manuals goes against the notion of entrepreneurship because the whole operating manual is supposed to standardise the procedures of franchise organisations, and all that ... and franchisors are usually on the lookout for conformity and uniformity from their franchisees ... However, entrepreneurs are supposed to be independent minded, they value their autonomy, their own way of thinking, which is why probably some franchise systems say that they do not want entrepreneurship”.

In addition, it was emphasised that an entrepreneur may not want to be a franchisee. A way of studying whether this is the case, is to look at the recruitment of franchisees, i.e., what kind of franchisees, or candidates, do different companies recruit? The focus group findings regarding the recruitment of franchisees show that, although some franchisors do not want people who just invest money in the franchise, it appears that a high proportion of franchise systems have not come up with an understanding of what sort of person they are looking for. However, the group suggested that two factors could influence the possibility that franchisors may allow entrepreneurship among their franchisees: the phase of the life cycle of the franchise system, and sector-specific features.

First, the phase of the life cycle of the franchise system could be an important factor in this respect, as franchisors may want entrepreneurial individuals both in the

beginning (when the franchise organisation is just starting up) to help them develop the business, and when the business has matured (or there is intense competition) and they may be losing market share. One of the participants indicated that: “This is the situation in Finland with McDonalds. They have closed down about 10 outlets because there is intense competition, and the CEO of McDonalds in Finland said that he had wrong kinds of franchisees at the moment ...”. Another participant also stated that: “... in the U.K. ... [there is] a guy that started up [a franchise], he does not have an operations manual as we know it. You know, it is 3 pages written on the back of an old envelope. And in a sense, he may want entrepreneurial individuals in the beginning to help him develop the business”. These illustrations suggest that franchisors may need entrepreneurial franchisees at different stages of their product life cycle: introduction, growth, maturity, and decline.

It was also pointed out that it is important to relate the required profile of franchisees to the environment. One participant indicated that he conducted research in Slovenia 7 years ago to investigate the backgrounds of franchisees that were most preferred by franchisors. The results from his study revealed that the first requirement was “following the franchise manual” and then “innovation” came second. As the participant explained, the research was conducted in an environment where entrepreneurship was not yet appreciated. Last year when the same research was repeated, “creativity” and “innovation” were ranked first. The reason for the difference in the results is that Slovenia has a very turbulent economic environment, 50% of the franchises in 2000 are either taken over, or have exited, or do not exist anymore. Therefore, it is difficult to define the required profile of franchisees for all environments (countries) as franchises in relatively stable markets may be expected to act differently.

However, the group argued that an important question that should be addressed is how the franchisor knows whether the prospective franchisee is entrepreneurial, or not, i.e., how do franchisors assess the entrepreneurial features of prospective franchisees? The group discussion suggested that: “It is only the more established systems that may do things like testing, or selection criteria, and things like that”.

The second factor that could influence the possibility that franchisors may want entrepreneurship within their franchised outlets was identified as sector-specific features. The participants suggested that franchisors in some particular sectors could allow more entrepreneurial behaviour among their franchisees if they do not have a substantial transfer of demand across markets. For example, franchisors in the fast food sector may not want their franchisees to do different things because there is a great deal of transfer of demand within this sector. This is illustrated in the following response:

“ ... it seems to me that you could allow a lot more entrepreneurial behaviour among your franchisees, and I would put in parentheses here ‘adaptive behaviour to the market’, you can allow a lot more of that if you do not have a lot of transfer of demand across markets. In other words, if I’m a tour rental franchisor, I think I can allow my franchisees to be very entrepreneurial, very adaptive to their local markets. Because you probably do not have a lot of people going from this tour rental place to another tour rental place. Whereas something like McDonalds, or any kind of fast food where you are actually getting a lot of transfer that is when you don’t want them [franchisees] doing a lot of different things”.

While the above factors could influence the possibility that franchisors may want entrepreneurship among their franchisees, the findings suggested that it was also necessary to consider the operational aspects within the outlets. This is because even if franchisors recruit franchisees on a promise of entrepreneurship they may not allow them to undertake entrepreneurial activities once they become franchisees. This was

expressed in the following response: “ ... contrary to whatever franchisors might say recruiting them [franchisees] I don’t think they [franchisors] really let them be the entrepreneurs that they promise ... because they really are looking for conformity and uniformity, and things like that ... ”. As such, the participants discussed whether franchisors actually grant franchisees the autonomy to undertake entrepreneurial activities within their outlets.

Two franchise systems were used to illustrate that some organisations: “ ... allow their franchisees to express their creativity within a structured environment”. In the first system, when the franchisor discovers that she has had a franchisee who is innovative and perhaps a little bit hard to control, instead of pressuring the franchisee to follow the manual, the franchisor gives the franchisee an opportunity to do something more challenging. This may include putting the franchisee in charge of doing research on whether they should introduce an extra product into the franchise, or just showing some recognition for the franchisee’s flair. The second franchise organisation has a ‘formal system’ where franchisees who come up with ideas can apply to get approval from the franchisor in order to be the test market, or test side, for the organisation. The participant who gave this illustration noted that: “ ... even if you [the franchisees] are already doing it [trying a new idea] you certainly ask for permission to continue ... The people [franchisees] that are doing it are doing it because they think it is better for their businesses”.

The two illustrations above revealed the management of entrepreneurship within franchised outlets. Although it was felt that excessive levels of control may constrain a franchisee’s desire for independence, autonomy, and self-fulfilment, as recognised by Weaven (2004), the use of formal control mechanisms to monitor franchisees’ entrepreneurial activities may help to protect the integrity of the system’s

brand. Kuratko *et al.* (1993) stressed the importance of control and evaluation for intrapreneurship, and Kanter (1989) also regarded formal controls as essential for corporate entrepreneurship projects selection.

To conclude the focus group session, the participants were required to sum up the attitudes of franchisors toward entrepreneurship in their businesses and in their franchisees. As shown in the following responses, the findings revealed that, in general, the group believed that franchisors are really seeking franchisees that would follow their systems' concepts:

“The franchisors I have spoken to I would say they really are after system followers; hard workers basically who follow the system”.

Another participant added:

“I think I would put a little dimension to that statement [the above response] ... I think the new systems that are starting up I don't think they exactly know where they are going with this [the franchise]. So they may be more willing to experiment with a lot of adaptation. But as they mature, or even as they get to the growth stage, I think they begin to recognise that it is uniformity that they are looking for”.

6.2.3 Hypotheses from the Focus Group

Based on the focus group findings, the following hypotheses were formulated for the follow-up surveys that were conducted in stage two of the research project:

- H1* Franchisors are generally entrepreneurs.
- H2* Franchisees are less likely to be entrepreneurs.
- H3* Franchisors are more entrepreneurial than franchisees.
- H4* Franchisors generally seek conformity and uniformity from their franchisees.

- H5* Franchise age and industry sector are two important factors that could determine whether or not franchisors may allow entrepreneurship among their franchisees:
- H5a* relative to the more established systems, younger systems are more likely to allow entrepreneurial behaviours among their franchisees.
- H5b* franchisors within sectors that do not have a substantial transfer of demand across markets may allow more entrepreneurial behaviour among their franchisees.
- H6* Franchisors who want their franchisees to undertake entrepreneurship may have formalised procedures in place for them to express their creativity within a structured environment.

6.3 Survey Results

This section reports the results of the follow-up surveys that were conducted in order to test the research hypotheses derived from the focus group findings and previous literature. As discussed in Chapter 5, the results presented in this section were based on two separate surveys, one for franchisors and the other for franchisees. A total of 55 franchisors responded to the franchisor's survey while 48 franchisees responded to the franchisee's survey. Chapter 5 contains the descriptive statistics and representativeness of the franchisors' and franchisees' samples. The following sections present the results of the entrepreneurial characteristics of the franchisors and franchisees; the recruitment and standardisation policies within franchise systems; and explanations of the entrepreneurial behaviours of franchisees.

6.3.1 Entrepreneurial Characteristics of Franchisors and Franchisees

Table 6.3.1 contains a summary of the General Enterprising Tendency test (GET) scores of the franchisors and franchisees. For comparative purposes, the table also shows the maximum and average scores for the GET test. The results revealed that the franchisors' and franchisees' total scores were 40.55 and 39.33 respectively, out of a maximum possible score of 54. These were above the average of 37, and suggest that both franchisors and franchisees have above-average entrepreneurial tendencies. In terms of their disaggregated scores, the results show that, except for *need for autonomy/ independence*, both the franchisors and franchisees obtained greater than the average GET scores on 4 out of 5 components of the GET test.

Both franchisors and franchisees appear to have a fairly high *need for achievement*, with franchisees actually scoring slightly higher on this dimension of entrepreneurship. Their higher scores could suggest that they have a greater tendency to set challenging goals and targets, and a higher planning orientation for achievement (Caird, 1991). This finding provides some support for the agency-based explanations for franchising as it implies that franchisees are likely to have a strong desire to struggle for success and perfection. Franchisees have a significant stake in their outlets' performance due to their heavy investments in the franchise arrangement. As a result, they are highly motivated to operate the new outlet successfully as much as possible. As noted by Gürol and Atsan (2006), the need for achievement is the impetus that forces a person to struggle for success and perfection; individuals who have a strong need to achieve are among those who want to solve problems themselves, set targets, and strive for these targets through their own efforts.

Table 6.3.1

Comparison of the Entrepreneurial Tendency Scores of a Sample of Franchisors, Franchisees, Business Owner-Managers and Managers

Group	Need for Achievement ^a	Need for Autonomy/ Independence ^a	Creative Tendency ^a	Calculated Risk-Taking ^a	Internal Locus of Control ^a	Total Score ^a
	12 ^b 9 ^c	6 ^b 4 ^c	12 ^b 8 ^c	12 ^b 8 ^c	12 ^b 8 ^c	54 ^b 37 ^c
Franchisors^d n = 54	9.61 (1.79)	3.81 (1.44)	8.70 (2.04)	8.89 (1.88)	9.54 (1.89)	40.55 (5.72)
Franchisees^d n = 46	9.83 (1.32)	3.59 (1.50)	8.30 (2.00)	8.26 (2.28)	9.35 (1.89)	39.33 (5.83)
Business Owner-Managers n = 73	9.92 (1.56)	4.14 (1.38)	8.77 (1.88)	8.75 (2.00)	9.51 (1.68)	41.09 (5.44)
Managers n = 194	8.96 (1.85)	3.19 (1.22)	7.63 (2.09)	7.43 (2.54)	8.06 (2.13)	35.27 (6.61)

Notes: ^a The first values in the columns are the mean entrepreneurship scores for each group, and the standard deviations are in parentheses.

^b Maximum possible score on the GET test.

^c Average score for the GET test.

^d Two franchisees and one franchisor were excluded from the GET analysis as their questionnaires contained too many missing information.

Sources: Franchisors and Franchisees – Author's Survey (October 2005 to May 2006).

Business Owner-Managers and Managers – Cromie (2000).

Interestingly, the franchisors' and franchisees' scores were below the average on *need for autonomy/ independence*. Their low scores demonstrate that they both have a facilitating nature, flexibility with decision-making, and a preference for

working with, or for others, rather than managing others (Caird, 1991). A low score on need for autonomy seems appropriate within a franchise setting, especially for franchisees (English and Hoy, 1995), since they are bound to franchisors by a number of contractual clauses, which place a ceiling on their levels of independence, as recognised by Felstead (1993). However, entrepreneurs would have been expected to have a stronger desire/ need to do things in an independent way.

The fairly high scores obtained by franchisors and franchisees on *creative tendency* suggest that they both have an imaginative and innovative orientation, versatility, a preference for novelty, intuition, a tendency to have ideas, and sensitivity to opportunity (Caird, 1991). However, the franchisees' score on this measure of entrepreneurship was lower than those of the franchisors. This may suggest that franchisees have a lower tendency for creativity and innovation relative to franchisors. Previous studies (e.g., Kaufmann and Dant, 1999) have argued that although the franchisee runs the risk of introducing the franchisor's concept into new markets, the potential for innovation is limited since maintenance of the franchisor's concept is important.

The franchisors' and franchisees' moderately high scores on *calculated risk-taking* suggest that they both have the ability to judge that a risk is worth taking when the consequences of failure do not outweigh the incentive value of success; the ability to make decisions in uncertain conditions; and the tendency to make decisions without exhaustively gathering information (Caird, 1991). However, the franchisees' score on this measure of entrepreneurship was lower than those of the franchisors. The difference between their scores corroborates the argument that starting a franchised outlet is often considered less entrepreneurial than founding a firm from 'scratch', because an idea, or concept, that has already been developed and tested is purchased

and, accordingly, less risk is involved (Verheul *et al.*, 2004). Thus, because franchisees are buying into a 'tried and tested' system, this would fit with their aversion to risk. This finding also strengthens the argument by Kaufmann and Dant (1999) and Combs *et al.* (2004) that since franchisees often come from the local markets and thus have insights into local needs, they are more familiar with the local environment and its potential, as such, the risk they face in running their outlets may be reduced by this familiarity.

The high scores obtained by both franchisors and franchisees on *internal locus of control* suggest that they are proactive, self-reliant, self-determined, self-confident, and believe that achievement is due to ability and effort (Caird, 1991).

Thus, Table 6.3.1 reveals that, relative to franchisees, franchisors seem to possess slightly greater overall entrepreneurial tendencies, as revealed in their total GET scores. Also, in terms of the breakdown of the components of their GET scores, franchisors appear to have a greater need for independence, more creative tendency, higher propensity to take risks, a stronger internal locus of control, but a lower need for achievement.

In order to investigate the differences in their entrepreneurial tendencies statistically, the Mann-Whitney U test was conducted. The results revealed that there were no statistically significant differences between the total GET scores of the franchisors and franchisees. Also, there were no statistically significant differences in the breakdown of the components of their GET scores. Thus, the following hypothesis formulated from the focus group findings in Section 6.2.3 was accepted: *H1* (franchisors are generally entrepreneurs). However, the following hypotheses were not accepted: *H2* (franchisees are less likely to be entrepreneurs); and *H3* (franchisors are more entrepreneurial than franchisees). This implies that both franchisors and

franchisees should be regarded as entrepreneurs, and franchisors are not significantly more entrepreneurial than franchisees as is widely believed.

The entrepreneurship scores of the franchisors and franchisees were also compared with the statistical norms for the GET of business owner-managers and managers, as documented in Cromie (2000). Based on previous research (e.g., English and Hoy, 1995), it was anticipated that the entrepreneurial scores of business owner-managers and franchisors would be similar and greater than those of franchisees; while the entrepreneurship scores of franchisees would be greater than those of managers. Table 6.3.1 revealed that, except for calculated risk-taking and internal locus of control, business owner-managers had higher scores on the entrepreneurship measures relative to franchisors. As hypothesised, franchisees scored higher than managers on all the dimensions of entrepreneurship. In fact, managers scored below the average GET scores on virtually all the entrepreneurship measures. These findings confirm and extend the study by Gassenheimer *et al.* (1996), which suggested that franchisees differ from managers and display characteristics associated with entrepreneurship. The results may also explain the franchisee's decision to own rather than manage a franchise outlet (Gassenheimer *et al.*, 1996), as ownership is seen as more entrepreneurial than management, irrespective of firm size or characteristics (Verheul *et al.*, 2004).

6.3.2 Recruitment Policies within Franchise Systems

This section presents the results of the recruitment/selection policies within franchise systems. The aim was to examine whether there is a connection between (a) the sorts of franchisees that franchisors are looking for, and (b) the sorts of franchisees that they actually end up recruiting. In other words, this section examined whether the

qualities that franchisors seek in prospective franchisees match the franchisees' entrepreneurial profile displayed in the previous section. The findings presented in this section may help to explain the franchisees' entrepreneurial profile. Presumably, if franchisors do not recruit entrepreneurs, franchisees would not possess high entrepreneurial tendencies.

Franchisees' Selection Criteria

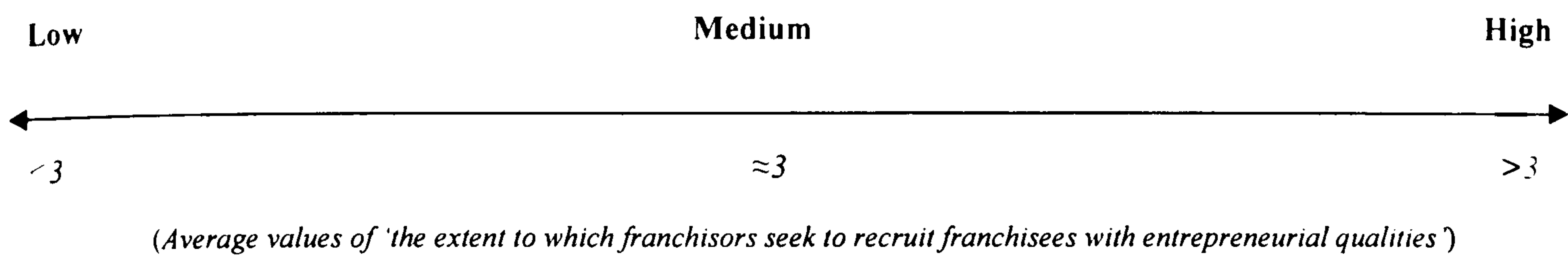
Franchisors were asked to rank (on a scale of 1 to 5, where '1' represents 'not at all', and '5' represents 'to a large extent') the extent to which they look for people with the following entrepreneurial qualities during the franchisee selection process: ambitious people, independent people, creative people, risk-takers, and people who like to be in control.² The franchisors' responses were then compared with the GET scores of the franchisees (reported in the previous section), alongside each of these qualities.

For ease of comparison, a distinction was made between three levels: low, medium, and high. As shown in Figure 6.3.2a, the franchisors' responses were assigned to the *low* and *high* levels if the average values of 'the extent to which they recruit franchisees with entrepreneurial qualities' were *less than*, or *greater than* 3, respectively. On the other hand, the franchisors' responses were assigned to the *medium* level if the average values of 'the extent to which they recruit franchisees with entrepreneurial qualities' were *approximately* 3.

² These qualities correspond with those assessed with the GET test in the previous section.

Figure 6.3.2a

A Scale depicting the extent to which Franchisors seek to Recruit Entrepreneurial Franchisees



Similarly, the franchisees' GET scores were assigned to the *low* and *high* levels if their scores were *less than*, or *greater than*, the *average GET scores*, respectively. On the other hand, the franchisees' GET scores were assigned to the *medium* level if they were *approximately equal to the average GET scores* (Figure 6.3.2b).

Figure 6.3.2b

A Scale depicting the Entrepreneurial Tendencies of Franchisees

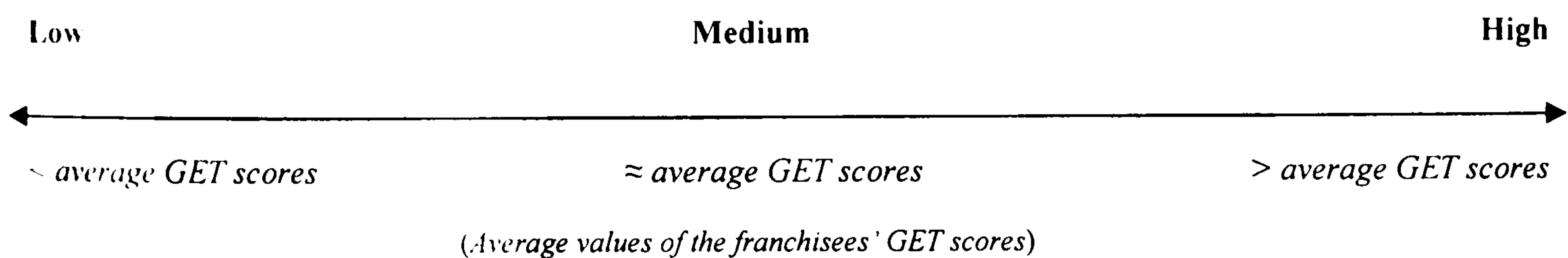


Table 6.3.2a
Recruitment Policies within Franchise Systems

Entrepreneurial Qualities ^a	Franchisors' Responses ^b <i>n</i> = 54	Franchisees' GET Scores ^c <i>n</i> = 46
(1) Ambitious people (Need for achievement)	4.37 <i>high</i> (0.90)	9.83 <i>high</i> (1.32)
(2) Independent people (Need for autonomy/ independence)	3.72 <i>medium</i> (1.00)	3.59 <i>low</i> (1.50)
(3) Creative people (Creative tendency)	3.56 <i>medium</i> (1.00)	8.30 <i>medium</i> (2.00)
(4) Risk-takers (Calculated risk-taking)	3.15 <i>medium</i> (1.04)	8.26 <i>medium</i> (2.28)
(5) People who like to be in control (Internal locus of control)	3.41 <i>medium</i> (0.94)	9.35 <i>high</i> (1.89)

Notes: ^a The first items in this column are the response categories for the franchisors' survey, and the franchisees' GET items are in parentheses.

^b The response categories for each of the items ranged from (1) *not at all* to (5) *to a large extent*. The first values in the columns are the mean values of the franchisors' responses, and the standard deviations are in parentheses.

^c The average GET scores, which were used for assigning the franchisees' scores to the high, medium, and low levels are the same as those shown in Table 6.3.1. The first values in the columns are the franchisees' average entrepreneurship scores, and the standard deviations are in parentheses.

As shown in Table 6.3.2a, the results revealed that the franchisors' responses perfectly matched the GET scores of the franchisees on three of the five entrepreneurial qualities (achievement motivation, creative tendency and risk-taking). The franchisors indicated that they look for highly ambitious people; and the franchisees' GET scores also show that they have a high need for achievement. In addition, franchisors indicated that they look for people with moderate creative

tendencies; similarly, the franchisees' GET scores show that they have moderate creative tendencies. Franchisors also indicated that they seek to recruit moderate risk-takers; likewise, the franchisees' GET scores show that they have moderate risk-taking propensity. These results show that the franchisees' entrepreneurial profile is similar to the qualities that franchisors actually seek in prospective franchisees, with regards to a majority of the entrepreneurial qualities.

Table 6.3.2a also suggest that, overall, franchisors seek to recruit franchisees who possess entrepreneurial qualities. This is obvious from the results which show that the average values of 'the extent to which franchisors recruit franchisees with entrepreneurial qualities' vary between 3.15 and 4.37 across all the five entrepreneurial qualities that were assessed in this study. Although not displayed in Table 6.3.2a, about 60 percent of the franchisors (58.82%) also reported that they use a standard selection system (such as psychometric tests and interview techniques) during the franchisee selection process to identify whether, or not, a prospective franchisee is entrepreneurial. These results may imply that some franchisors view their franchisees as entrepreneurs. This is an interesting finding considering that the status of the franchisee remains one of the most controversial issues among practitioners and academics.

Franchisees' Selection Criteria: by Franchise Age

In order to investigate whether franchisors might want entrepreneurial franchisees during a specific phase of the franchise system's life cycle, as suggested by the focus group findings, the franchisors' responses and the franchisees' GET scores were disaggregated by franchise age. Franchise age was measured by how long the company has been franchising in the U.K. The more established franchise systems

were defined as those that have been franchising for 3 or more years, while the younger systems were defined as those that have been franchising for less than 3 years. The two groups were used because they were similar to the British Franchise Association's (BFA) membership types. With regards to the BFA's membership categories, *full members* must have successfully run a pilot scheme for 1 year or more, and must have at least four franchisees, two of which should have been going for 2 years; *associate members* must have run a pilot operation for 1 year and at least one outlet must have been running for over 1 year; and *provisional members* will be currently developing their franchise concept and taking accredited professional advice on its structure (www.whichfranchise.com). For ease of comparison, the franchisors' responses and the franchisees' GET scores for the two groups were also assigned to three levels: low, medium, and high, as discussed in the previous sub-section.

The results in Table 6.3.2b suggest that, relative to the more established franchisors, the younger franchisors do look for entrepreneurial franchisees to a larger extent. The table also shows that the franchisees' GET scores were higher among franchisees who belong to the younger organisations.

In order to investigate the differences statistically, the Mann-Whitney U test was used to compare the results of the franchisors and franchisees from the younger and older systems (i.e., groups I and III, as well as groups II and IV). While the results revealed that there were no statistically significant differences between the former groups, the results indicate that there were statistically significant differences between the GET of groups II and IV on need for achievement ($z = -2.035$, $p = 0.042$) and need for autonomy/ independence ($z = -2.301$, $p = 0.021$). This implies that there were no statistically significant differences in the extent to which both the younger and more established franchisors seek to recruit entrepreneurial franchisees.

Table 6.3.2b

Recruitment Policies within Franchise Systems: by Franchise Age

Entrepreneurial Qualities ^a	< 3 Years		≥ 3 Years	
	(I) Franchisors' Responses ^b	(II) Franchisees' GET Scores ^c	(III) Franchisors' Responses ^b	(IV) Franchisees' GET Scores ^c
	<i>n</i> = 20	<i>n</i> = 13	<i>n</i> = 31	<i>n</i> = 33
(1) Ambitious people (Need for achievement *)	4.45 <i>high</i> (0.69)	9.38 <i>medium</i> (1.04)	4.29 <i>high</i> (1.04)	10.00 <i>high</i> (1.39)
(2) Independent people (Need for autonomy/ independence *)	3.90 <i>high</i> (0.97)	4.38 <i>medium</i> (1.26)	3.52 <i>medium</i> (1.00)	3.27 <i>low</i> (1.49)
(3) Creative people (Creative tendency)	3.40 <i>medium</i> (1.00)	8.69 <i>medium</i> (2.25)	3.55 <i>medium</i> (1.00)	8.15 <i>medium</i> (1.91)
(4) Risk-takers (Calculated risk-taking)	3.45 <i>medium</i> (1.10)	8.62 <i>medium</i> (1.71)	2.94 <i>low</i> (0.93)	8.12 <i>medium</i> (2.47)
(5) People who like to be in control (Internal locus of control)	3.25 <i>medium</i> (0.91)	9.69 <i>high</i> (1.55)	3.45 <i>medium</i> (0.96)	9.21 <i>high</i> (2.01)

Notes: * Indicates significant difference in GET at the 0.05 significance level.

^a The first items in this column are the response categories for the franchisors' survey, and the franchisees' GET items are in parentheses.

^b The response categories for each of the items ranged from (1) *not at all* to (5) *to a large extent*. The first values in the columns are the mean values of the franchisors' responses, and the standard deviations are in parentheses.

^c The average GET scores, which were used for assigning the franchisees' scores to the high, medium, and low levels are the same as those shown in Table 6.3.1. The first values in the columns are the franchisees' mean entrepreneurship scores, and the standard deviations are in parentheses.

The results also suggest that, within both age groups, franchisors seek to recruit franchisees who possess entrepreneurial qualities. Similarly, the franchisees' GET scores demonstrate that they have above-average entrepreneurial tendencies.

This is obvious from the results which show that, for organisations that are < 3 and those that are ≥ 3 years, the average values of ‘the extent to which franchisors recruit franchisees with entrepreneurial qualities’ vary between 3.25 and 4.45, as well as 2.94 and 4.29, respectively across all the five entrepreneurial qualities. Also, for the two age groups, the franchisees’ GET scores were greater than the average GET scores on virtually all the entrepreneurial qualities.

6.3.3 Standardisation/ Flexibility Policies within Franchise Systems

The focus group findings suggested that franchisors who want their franchisees to undertake entrepreneurship may have formalised procedures in place for them to express their creativity within a structured environment (Hypothesis *H6*). This hypothesis is consistent with Stanworth *et al*’s. (1996) argument that the extent to which franchisees may engage in entrepreneurial activities is usually restricted by the franchisors’ objectives. Hence, this section examined whether franchise organisations have flexible policies which allow their franchisees to engage in entrepreneurial activities within their outlets.

Innovative Policies within Franchise Organisations

The results displayed in Table 6.3.3a revealed that a high proportion of the franchisors (between 55 and 78 percent) reported that they allow their franchisees to undertake innovative activities by providing a process whereby franchisees can introduce new products, new services, new methods of production/operation, new sources of supply, as well as open up new markets (Table 6.3.3a, items 1-5). These results were similar to those obtained from the franchisees where an even higher proportion (between 68 and 92 percent) indicated that their franchisors provide processes for them to

undertake innovative activities. These findings are consistent with the study conducted by Falbe *et al.* (1998) which recognised that some franchisors use a number of techniques (such as the presence at franchisor headquarters of a champion for innovation) to encourage entrepreneurial activity on the part of franchisees.

In addition, a majority of the franchisors (88 percent) reported that at least some of their franchisees' innovations have been introduced widely across their franchise systems (Table 6.3.3a, item 7). This finding agrees with previous literature (e.g., Cox, 2002) that franchisees can be useful sources of new ideas and innovations for product/service development. The results also support Frazer's (2004) study which documents an example of a franchise organisation that encourages its franchisees to try new products because franchisees' knowledge of customers' needs are regarded as being superior to that of an office-bound franchisor.

Hence, based on the above results, the following hypothesis formulated from the focus group findings was accepted: *H6* (franchisors who want their franchisees to undertake entrepreneurship may have formalised procedures in place for them to express their creativity within a structured environment). However, the following hypothesis was not accepted: *H4* (franchisors generally seek conformity and uniformity from their franchisees).

Table 6.3.3a
Policies relating to Innovation within Franchise Systems

Policies	Franchisors' Responses (%)	Franchisees' Responses (%)
(1) Franchisor provides a process for franchisees to introduce new product(s)		
Yes	60.0	68.1
No	40.0	31.9
(2) Franchisor provides a process for franchisees to introduce new service(s)		
Yes	72.0	81.3
No	28.0	18.7
(3) Franchisor provides a process for franchisees to introduce new method(s) of production/operation		
Yes	72.9	81.3
No	27.1	18.7
(4) Franchisor provides a process for franchisees to introduce new source(s) of supply *		
Yes	55.1	80.9
No	44.9	19.1
	[z = -2.683, p = 0.007]	
(5) Franchisor provides a process for franchisees to open up new market(s) **		
Yes	77.6	91.7
No	22.4	8.3
	[z = -1.913, p = 0.056]	
(6) Franchisees need to get approval from the franchisor before undertaking innovative activities *		
Yes, always	66.7	19.2
Yes, sometimes	29.4	63.8
No, never	3.9	17.0
	[z = -4.714, p = 0.000]	
(7) Franchisees' innovations have been introduced widely across franchise system *		
Yes, all	9.3	12.1
Yes, some	79.1	42.4
No, none	11.6	45.5
	[z = -2.455, p = 0.014]	

Notes: The two-tailed Mann Whitney U test statistics are given in square brackets. * (**) indicate significant difference in innovative policies at the 0.05 (0.10) significance levels.

Contractually, a situation that would be expected within a standardised business format operation would be for franchisees to seek the franchisor's consent before undertaking entrepreneurial activities, in order to ensure the maintenance of the existing brand image. This situation is reflected in the franchisors' responses where 67 percent stated that franchisees 'always' need to get approval from them before undertaking the above innovative activities. However, a lower proportion of the franchisees (19 percent) indicated that they 'always' need to get approval from the franchisor prior to engaging in innovative activities. The difference between the franchisors' and the franchisees' responses on this policy was also highly statistically significant. In addition, a higher proportion of the franchisees (17 percent) reported that they certainly 'do not' have to get permission from the franchisor before undertaking innovative activities, compared to only 4 percent of the franchisors. The difference between the franchisors' and the franchisees' responses on this policy was also highly statistically significant. These findings may suggest that, contrary to franchisors' expectations, franchisees seem to enjoy more flexibility at the operational level. Phan *et al.* (1996) argue that although franchisees are usually governed by lengthy and detailed agreements, ex-ante contracts can never specify all contingencies. As a result, the franchising relationship often goes beyond the formal interactions dictated by the contract, and entrepreneurial-franchisees will always have strategic flexibility. In another study by Clarkin and Rosa (2005), they found that restrictive franchise agreements were not always strictly enforced unless problems occurred, thus allowing for entrepreneurial activity by franchisees.

Innovative Policies within Franchise Organisations: by Franchise Age

In order to investigate whether franchisors allow their franchisees to engage in entrepreneurial activities during a specific phase of the franchise system's life cycle (as suggested by the focus group findings) the franchisors' and franchisees' responses were disaggregated by franchise age. Similar to the previous section, franchise age was measured by how long the company has been franchising in the U.K. The more established franchise systems were defined as those that have been franchising for 3 or more years, while the younger systems were defined as those that have been franchising for less than 3 years.

Table 6.3.3b revealed that, relative to the younger systems, a slightly higher proportion of franchisors from the older systems allow (and provide a process for) their franchisees to undertake a majority of the innovative activities (Table 6.3.3b, Groups I and III). Relative to the younger systems, a higher proportion of franchisees from the older systems also confirmed that their franchisors provide a process for them to undertake all the five types of innovative activities (Table 6.3.3b, Groups II and IV).

In order to investigate the differences statistically, the Mann-Whitney U test was used to compare the results of both the franchisors and the franchisees from the younger and older systems (i.e., groups I and III, as well as groups II and IV). The results indicated that there were statistically significant differences in a majority of these policies, based on the franchisees' responses. However, there were no statistically significant differences in the innovative policies of both the younger and older systems, based on the franchisors' responses. Hence, the following hypothesis was not accepted: *H5a* (relative to the more established systems, younger systems are more likely to allow entrepreneurial behaviours among their franchisees).

Table 6.3.3b
Policies relating to Innovation within Franchise Systems: By Franchise Age ^a

	< 3 Years		≥ 3 Years	
Policies	(I) Franchisors' Responses (%) ^b	(II) Franchisees' Responses (%) ^c	(III) Franchisors' Responses (%) ^d	(IV) Franchisees' Responses (%) ^e
(1) Franchisor provides a process for franchisees to introduce new product(s)				
Yes	52.6	50.0	60.7	75.8
No	47.4	50.0	39.3	24.2
		<div> </div> <div>[z = -1.714]</div> <div>[p = .087]</div>		
(2) Franchisor provides a process for franchisees to introduce new service(s)				
Yes	78.9	78.6	64.3	82.4
No	21.1	21.4	35.7	17.6
(3) Franchisor provides a process for franchisees to introduce new method(s) of production/operation				
Yes	66.7	64.3	77.8	88.2
No	33.3	35.7	22.2	11.8
		<div> </div> <div>[z = -1.912]</div> <div>[p = .056]</div>		
(4) Franchisor provides a process for franchisees to introduce new source(s) of supply				
Yes	38.9	64.3	60.7	87.9
No	61.1	35.7	39.3	12.1
		<div> </div> <div>[z = -2.435]</div> <div>[p = .015]</div>		
		<div> </div> <div>[z = -1.860]</div> <div>[p = .063]</div>		
(5) Franchisor provides a process for franchisees to open up new market(s)				
Yes	83.3	78.6	71.4	97.1
No	16.7	21.4	28.6	2.9
		<div> </div> <div>[z = -2.828]</div> <div>[p = .005]</div>		
		<div> </div> <div>[z = -2.084]</div> <div>[p = .037]</div>		

Table 6.3.3b (Cont'd)
Policies relating to Innovation within Franchise Systems: By Franchise Age ^a

	< 3 Years		≥ 3 Years	
Policies	(I) Franchisors' Responses (%) ^b	(II) Franchisees' Responses (%) ^c	(III) Franchisors' Responses (%) ^d	(IV) Franchisees' Responses (%) ^e
(6) Franchisees need to get approval from the franchisor before undertaking innovative activities				
<i>Yes, always</i>	65.0	7.7	67.9	23.5
<i>Yes, sometimes</i>	35.0	69.2	28.6	61.8
<i>No, never</i>	0.0	23.1	3.6	14.7
	[z = -3.480] [p = .001]		[z = -3.456] [p = .001]	
(7) Franchisees' innovations have been introduced widely across franchise system				
<i>Yes, all</i>	13.3	16.7	3.8	11.1
<i>Yes, some</i>	73.3	66.7	84.6	37.0
<i>No, none</i>	13.3	16.7	11.5	51.9
			[z = -2.337] [p = .019]	

Notes: ^a The two-tailed Mann Whitney U test statistics are given in square brackets at the 0.05 and 0.10 levels of significance.

^b With regards to the *franchisors'* sample, *n* ranges from 18 to 20 (for franchise organisations that are < 3 years).

^c With regards to the *franchisees'* sample, *n* = 14 (for franchise organisations that are < 3 years).

^d With regards to the *franchisors'* sample, *n* ranges from 27 to 28 (for franchise organisations that are ≥ 3 years).

^e With regards to the *franchisees'* sample, *n* ranges from 33 to 34 (for franchise organisations that are ≥ 3 years).

Furthermore, Table 6.3.3b revealed that, relative to the franchisors in both the younger and older systems, a lower proportion of their franchisees indicated that they ‘always’ need to get approval from the franchisors prior to engaging in innovative activities (Table 6.3.3b, item no. 6). This difference was also highly statistically

significant. In addition, relative to the franchisors in both the younger and older systems, a higher proportion of their franchisees reported that they certainly ‘do not’ have to get permission from the franchisors before undertaking innovative activities. Again, this difference was also highly statistically significant. These findings confirm the results documented in Table 6.3.3a which suggest that, contrary to franchisors’ expectations, franchisees appear to enjoy more flexibility at the operational level.

6.3.4 Explanations of the Entrepreneurial Inclinations of Franchisees

In order to investigate the entrepreneurial inclinations of the franchisees further, a non-parametric estimation, an average treatment effect (ATE) was performed. As discussed in Chapter 5, an ATE is a special case of an average partial effect, and the method is applicable when the explanatory variable of interest is any binary variable (Wooldridge, 2002).

The following discussion presents the estimates of the effects of psychological characteristics, industry sectors, and type of contract on franchisees’ entrepreneurial behaviours, taking into account the binary nature of the outcomes and predictors. These set of predictors have been suggested to influence franchisees’ entrepreneurial behaviours in the literature, and also during the focus group session.

The dependent variables were a set of entrepreneurial behaviours, measured in terms of whether or not franchisees have engaged in five types of entrepreneurial innovations: introduction of new products, new services, new methods of production/operation, new sources of supply, as well as opening up of new markets. These were all transformed into binary outcomes.

Effects of Psychological Characteristics on the Entrepreneurial Behaviours of Franchisees

The first set of independent variables was the five psychological characteristics derived from the GET test (need for achievement, need for autonomy/independence, creative tendency, calculated risk-taking, and internal locus of control). From the literature review in Chapter 3, it can be seen that these psychological characteristics have been associated with entrepreneurship in both theoretical and empirical research in the academic and professional entrepreneurship literature. In particular, the evidence contained in Chapter 3 shows that relative to non-entrepreneurs, entrepreneurs have greater need for achievement, more need for autonomy/independence, greater creative tendency, higher propensity to take risk, and stronger internal locus of control. Therefore, the objective of this part of the study was to investigate if these psychological characteristics can explain franchisees' entrepreneurial behaviours using the non-parametric ATE model.

The ATE analysis results for the effects of psychological characteristics on franchisees' entrepreneurial behaviours are summarised in Table 6.3.4a. As can be seen from the table, a majority of the psychological characteristics have positive coefficients. With the exception of creative tendency and calculated risk-taking, all the other psychological characteristics have a positive and statistically significant effect on at least one type of entrepreneurial behaviour. The total GET score also has a positive and statistically significant effect on at least one type of entrepreneurial behaviour.

Table 6.3.4a

Non-parametric Estimates of the Effects of Psychological Characteristics on Franchisees' Entrepreneurial Behaviours

Dependents:	Predictors:					
	Need for Achievement	Need for Autonomy/ Independence	Creative Tendency	Calculated Risk-Taking	Internal Locus of Control	GET Total Score
Franchisee has introduced new products	0.368 (0.079) [4.646] *	0.128 (0.140) [0.912]	0.117 (0.122) [0.958]	-0.088 (0.124) [-0.708]	-0.286 (0.119) [-2.401] *	-0.088 (0.124) [-0.708]
Franchisee has introduced new services	0.526 (0.082) [6.412] *	0.293 (0.144) [2.034] *	-0.033 (0.133) [-0.251]	-0.031 (0.129) [-0.242]	0.057 (0.125) [0.459]	0.100 (0.128) [0.781]
Franchisee has introduced new methods of production/ operation	0.224 (0.115) [1.938]	0.249 (0.145) [1.718]	0.167 (0.129) [1.290]	0.069 (0.128) [0.537]	0.029 (0.124) [0.230]	0.069 (0.128) [0.537]
Franchisee has introduced new sources of supply	0.224 (0.115) [1.938]	0.057 (0.150) [0.381]	0.050 (0.132) [0.379]	0.069 (0.128) [0.537]	0.029 (0.124) [0.230]	0.331 (0.117) [2.842] *
Franchisee has opened up new markets	0.500 (0.082) [6.083] *	0.249 (0.145) [1.718]	0.050 (0.132) [0.379]	-0.325 (0.122) [-2.667] *	0.371 (0.107) [3.474] *	0.200 (0.124) [1.614]

Notes: (1) The coefficients of each predictor are the first values within each column; standard errors are in parentheses; t values are in square brackets.

(2) * indicates statistical significance at the 0.05 significance level, when the absolute values of the t-test statistics are greater than 1.96 (i.e., $|t| > 1.96$).

(3) The psychological characteristics were based on the GET variables (Section 6.3.1), and were recoded into binary variables, where each variable takes the value 1 when the value obtained on the GET test is greater than, or equal to, the average GET value of the corresponding psychological characteristics, and vice versa. For example,

need for achievement = 1 (if $NArch \geq 9$, i.e., if the value of need for achievement obtained is greater than, or equal to, the average GET value of need for achievement); and

need for achievement = 0 (if $NArch < 9$, i.e., if the value of need for achievement obtained is less than the average GET value of need for achievement).

(4) $N = 42$ (variables with missing observations were excluded from the analysis).

In other words, the effects of the following psychological characteristics on the corresponding entrepreneurial behaviours are all positive and statistically significant: need for achievement on introduction of new products; need for achievement on introduction of new services; need for achievement on opening up of new markets; need for autonomy/independence on introduction of new services; internal locus of control on opening up of new markets; and total GET on introduction of new sources of supply. These results suggest, among other things, that certain entrepreneurial characteristics predispose franchisees towards entrepreneurial activities. They are also consistent with previous studies which acknowledge that “... an individual’s personality predicts his or her behaviour” (Funder, 1994: cited in Ciavarella *et al.*, 2004: 469).

Effects of Industry Sectors on the Entrepreneurial Behaviours of Franchisees

The focus group findings presented in Section 6.2. suggested that sector-specific features may influence franchisees’ entrepreneurial behaviours. As such, the second set of independent variables was the industry sectors of the franchisees. As discussed in Chapter 5, the franchisees were from five industry sectors (*Sector 1*: Property & Maintenance Services, Home Improvement; *Sector 2*: Commercial Services; *Sector 3*: Direct Selling, Distribution, Wholesaling, Vending; *Sector 4*: Estate Agents, Business Transfer Agents, Financial Services & Mortgage Brokers; *Sector 5*: Business Support, Business Networking).

Table 6.3.4b

Non-parametric Estimates of the Effects of Industry Sectors on Franchisees' Entrepreneurial Behaviours

<i>Dependents:</i>	<i>Predictors:</i>				
Entrepreneurial Behaviours	Sector 1: Property & Maintenance Services, Home Improvement	Sector 2: Commercial Services	Sector 3: Direct Selling, Distribution, Wholesaling, Vending	Sector 4: Estate Agents, Business Transfer Agents, Financial Services & Mortgage Brokers	Sector 5: Business Support, Business Networking
Franchisee has introduced new products	-0.053 (0.216) [-0.245]	-0.111 (0.238) [-0.468]	-0.357 (0.343) [-1.041]	0.077 (0.149) [0.513]	0.350 (0.430) [0.813]
Franchisee has introduced new services	-0.229 (0.221) [-1.036]	-0.278 (0.243) [-1.145]	-0.500 (0.358) [-1.397]	0.362 (0.147) [2.462] *	0.203 (0.443) [0.459]
Franchisee has introduced new methods of production/operation	-0.071 (0.229) [-0.309]	-0.097 (0.256) [-0.380]	-0.476 (0.357) [-1.332]	0.133 (0.156) [0.850]	0.228 (0.442) [0.515]
Franchisee has introduced new sources of supply	0.029 (0.231) [0.127]	-0.431 (0.218) [-1.978] *	0.024 (0.615) [0.039]	0.180 (0.155) [1.160]	0.203 (0.443) [0.459]
Franchisee has opened up new markets	0.059 (0.231) [0.255]	0.056 (0.260) [0.214]	-0.476 (0.357) [-1.332]	-0.050 (0.157) [-0.316]	0.228 (0.442) [0.515]

- Notes:
- (1) The coefficients of each predictor are the first values within each column; standard errors are in parentheses; t values are in square brackets.
 - (2) * indicates statistical significance at the 0.05 significance level, when the absolute values of the t-test statistics are greater than 1.96 (i.e., $|t| > 1.96$).
 - (3) The sectors are binary variables that take a value of 1 if a franchisee belongs to a particular sector; and 0 otherwise.
 - (4) $N = 44$ (variables with missing observations were excluded from the analysis).

In Table 6.3.4b, the ATE analysis results for the effects of sectors on franchisees' entrepreneurial behaviours are presented. As shown, the results revealed that only one sector (*Sector 4*: Estate Agents, Business Transfer Agents, Financial Services & Mortgage Brokers) has a statistically significant positive effect on one type of franchisees' entrepreneurial behaviours (introduction of new services). Similarly, only one sector (*Sector 2*: Commercial Services) has a statistically significant negative effect on one type of franchisees' entrepreneurial behaviours (introduction of new sources of supply). The positive coefficient suggests that franchisees within *Sector 4* may have greater inclinations to engage in entrepreneurial behaviours, while the negative coefficient suggests that franchisees within *Sector 2* may have less inclinations to engage in entrepreneurial behaviours.³ Although the effect of sectors was not directly examined from the franchisor's perspective because of the low sample frequencies within most of the sectors, the results presented in this sub-section seem to provide some support for hypothesis *H5* (industry sector is an important factor that could determine whether or not franchisors may allow entrepreneurship among their franchisees).

Effects of Type of Contract on the Entrepreneurial Behaviours of Franchisees

It has been recognised in the franchise literature that, relative to single-unit franchisees, multi-unit franchisees are more likely to engage in entrepreneurship (English and Hoy, 1995; Weaven, 2004). As such, the third set of independent variables was the type of contract (single or multi-unit) that the franchisees have with

³ Although a non-parametric estimator (an ATE) was utilised for the analysis in order to account for the small sample size, some of the sectors had fewer respondents relative to the other sectors, and this might have affected the significance tests of the sectors with lower number of respondents.

their respective organisations. This variable was generated from the general information provided by the franchisees during the survey.

Table 6.3.4c
Non-parametric Estimates of the Effects of Type of Contract on Franchisees' Entrepreneurial Behaviours

<i>Dependents:</i> Entrepreneurial Behaviours	<i>Predictor:</i> Type of Contract
Franchisee has introduced new products	-0.160 (0.221) [-0.726]
Franchisee has introduced new services	0.085 (0.244) [0.349]
Franchisee has introduced new methods of production/operation	0.284 (0.234) [1.214]
Franchisee has introduced new sources of supply	-0.056 (0.244) [-0.228]
Franchisee has opened up new markets	0.114 (0.243) [0.471]

Notes: (1) The coefficients of each predictor are the first values within each column; standard errors are in parentheses; t values are in square brackets.
(2) The type of contract is a binary variable that takes the value 1 when it is multi-unit contract; and 0 when it is single unit contract.
(3) N = 43 (variables with missing observations were excluded from the analysis).

Table 6.3.4c summarises the ATE estimates of the effects of type of contract on franchisees' entrepreneurial behaviours. Although the results revealed that type of

contract has positive coefficients on three types of entrepreneurial behaviours (introduction of new services, introduction of new methods of production operation, and opening up of new markets), it does not have any statistically significant effects on all the 5 types of franchisees' entrepreneurial behaviours. These results appear to contrast with previous findings, which have suggested that multiple-unit franchisees are more likely to engage in entrepreneurship.⁴

6.4 Chapter Summary

In summary, this chapter presented the findings from stages one and two of the research (i.e., the preliminary focus group conducted with academic experts, and the follow-up surveys conducted with franchisors and franchisees). The purpose was to provide a broader understanding and familiarity with the main research issues, and background for the in-depth case studies carried out in the third stage of the research. Essentially, the focus group findings were used to formulate a series of hypotheses that were tested in the follow-up surveys as shown in Table 6.4.

Given the research findings presented in the table, the limitation of primary concern relates to the small sample size of both the franchisors' and franchisees' surveys, as it may not be possible to generalise the results across the entire franchise industry. Moreover, as the context for the study was also limited to the U.K. environment, the results may not apply to other countries. Nevertheless, the potential limitations should not inhibit the relevance and usefulness of these research findings, as the results provide valuable insights for the in-depth case studies conducted in the final stage of the research.

⁴ It should be noted that a majority of the franchisees in this sample (80.43 percent) have single unit contracts, and this proportion reflects the overall pattern within the U.K. franchise industry.

Table 6.4

Summary of the Findings from the Focus Group and Surveys

Hypotheses from the Focus Group Findings	Results of the Surveys
<i>H1</i> Franchisors are generally entrepreneurs.	Hypothesis <i>H1</i> was accepted. Franchisors possess above-average entrepreneurial tendencies, when assessed with the Durham University General Enterprising Tendency test.
<i>H2</i> Franchisees are less likely to be entrepreneurs.	Hypothesis <i>H2</i> was not accepted. Franchisees possess above-average entrepreneurial tendencies, when assessed with the Durham University General Enterprising Tendency test.
<i>H3</i> Franchisors are more entrepreneurial than franchisees.	Hypothesis <i>H3</i> was not accepted. There were no statistically significant differences between the entrepreneurial tendencies of the franchisors and franchisees, when assessed with the Durham University General Enterprising Tendency test.
<i>H4</i> Franchisors generally seek conformity and uniformity from their franchisees.	Hypothesis <i>H4</i> was not accepted. A high proportion of the franchisors (between 55 and 78 percent) reported that they allow their franchisees to undertake innovative activities. Also, a majority of the franchisors (88 percent) reported that at least some of their franchisees' innovations have been introduced widely across their franchise systems. These findings were also confirmed from the franchisees' survey which produced similar results.
<i>H5</i> Franchise age and industry sector are two important factors that could determine whether or not franchisors may allow entrepreneurship among their franchisees, i.e., <i>H5a</i> relative to the more established systems, younger systems are more likely to allow entrepreneurial behaviours among their franchisees.	Hypothesis <i>H5a</i> was not accepted. There were no statistically significant differences in the innovative policies of both younger and more established franchise systems.
<i>H5b</i> franchisors within sectors that do not have a substantial transfer of demand across markets may allow more entrepreneurial behaviour among their franchisees.	The results seem to provide some support for hypothesis <i>H5</i>. The effect of sectors was not directly examined from the franchisors' perspective because of the low frequencies within most of the sectors. However, the results from the franchisees' perspective revealed that the following sectors, 'Estate Agents, Business Transfer Agents, Financial Services & Mortgage Brokers' have a statistically significant positive effect on the entrepreneurial behaviours of franchisees. The positive coefficient suggests that franchisees within these sectors may have greater inclinations to engage in entrepreneurial behaviours. On the other hand, 'Commercial Services' sector has a statistically significant negative effect on the entrepreneurial behaviours of franchisees. The negative coefficient suggests that franchisees within this sector may have less inclinations to engage in entrepreneurial behaviours.
<i>H6</i> Franchisors who want their franchisees to undertake entrepreneurship may have formalised procedures in place for them to express their creativity within a structured environment.	Hypothesis <i>H6</i> was accepted. Over 50 percent of the franchisors reported that they provide a process for their franchisees to undertake innovative activities. These findings were also confirmed from the franchisees' survey which produced similar results.

Chapter 7

Results II: Findings from the Case Studies

7.1 Introduction

The purpose of this chapter is to report the findings from the case study interviews conducted with seven franchisees from three different franchise systems during April and May 2006. As discussed in Chapter 5, the selection of the case study candidates was based on a four-fold typology, which was constructed from the survey findings in stage two. The aim was to provide an in-depth understanding of the entrepreneurial orientations within franchise systems. As a means of gaining a focused understanding of the issues under investigation, a similar protocol was employed for all the interviews. This facilitated both literal and theoretical comparisons of the findings. This chapter contains comprehensive descriptions of each case, and extracts from the franchisees' responses have been used to illustrate the results, based on the researcher's critical considerations of the central points. A copy of the transcript from each interview was sent to the corresponding franchisee for verification prior to utilising them for the analyses.⁵ The findings presented in this chapter are divided into distinct sections beginning with discussions of the research contexts and business profiles of the selected cases. These are followed by a presentation of the organisational antecedents of entrepreneurship within the franchised outlets. Then, details of the entrepreneurial behaviours and activities of the franchisees are provided. These are complemented by a presentation of the outcomes of franchisees'

⁵ Appendix C2 contains the transcripts of all the case study interviews.

entrepreneurial accomplishments. The chapter concludes by providing the views of the franchisees on the controversial debate on entrepreneurship and the franchise concept.

7.2 Contextualisation of the Cases

Figure 7.2.1 presents the cases within the research contexts that were proposed for the case studies in Chapter 5. The franchisees were classified into four different categories according to their survey results. The classification shows several patterns among the cases. While the two franchisees that were interviewed from organisation B were both located within the same category (Cell 3, i.e., the category of franchisees with higher entrepreneurial tendencies who view their franchise systems as highly flexible), a reversed pattern was observed in organisation C where all the three franchisees from this system were located within different categories (Cells 1, 3, and 4). The reversed trend was also observed in organisation A, where the two franchisees were positioned within different cells (Cells 2 and 3).

However, the survey findings from all the three franchisors, whose franchisees participated in the case study interviews, suggest that their franchise systems are highly flexible and they seek to recruit franchisees with high entrepreneurial tendencies. The GET scores of the three franchisors also revealed that they all have high entrepreneurial tendencies. This implies that, ideally, all the franchisees should be positioned within Cell 3 (i.e., the category of franchisees with higher entrepreneurial tendencies who view their franchise systems as highly flexible).

Figure 7.2.1
The Cases within the Research Contexts

Franchise System Franchisees' Entrepreneurial Tendencies	Highly Standardised	Highly Flexible
Higher Entrepreneurial Tendencies	<p><i>Cell 1:</i> Franchisees with higher entrepreneurial tendencies who view their franchise systems as highly standardised. The following franchisee belongs to this category:</p> <ul style="list-style-type: none"> Case C2 (This franchisee indicated during the survey that his franchisor provides a process for franchisees to undertake only 1 of the 5 types of innovative activities. The GET results from the survey show that this franchisee obtained high scores on 4 out of 5 entrepreneurial qualities) 	<p><i>Cell 3:</i> Franchisees with higher entrepreneurial tendencies who view their franchise systems as highly flexible. The following franchisees belong to this category:</p> <ul style="list-style-type: none"> Case A1 (This franchisee indicated during the survey that his franchisor provides a process for franchisees to undertake 4 of the 5 types of innovative activities. The GET results from the survey show that this franchisee obtained very high scores on all the 5 entrepreneurial qualities) Case B1 (This franchisee indicated during the survey that his franchisor provides a process for franchisees to undertake all the 5 types of innovative activities. The GET results from the survey show that this franchisee obtained high scores on 4 out of 5 entrepreneurial qualities) Case B2 (This franchisee indicated during the survey that his franchisor provides a process for franchisees to undertake all the 5 types of innovative activities. The GET results from the survey show that this franchisee obtained high scores on 3 out of 5 entrepreneurial qualities) Case C3 (This franchisee indicated during the survey that his franchisor provides a process for franchisees to undertake 4 of the 5 types of innovative activities. The GET results from the survey show that this franchisee obtained high scores on 4 out of 5 entrepreneurial qualities)
Lower Entrepreneurial Tendencies	<p><i>Cell 2:</i> Franchisees with lower entrepreneurial tendencies who view their franchise systems as highly standardised. The following franchisee belongs to this category:</p> <ul style="list-style-type: none"> Case A2 (This franchisee indicated during the survey that his franchisor does not provide a process for franchisees to undertake any type of innovative activities. The GET results from the survey show that this franchisee obtained high scores on 2 out of 5 entrepreneurial qualities) 	<p><i>Cell 4:</i> Franchisees with lower entrepreneurial tendencies who view their franchise systems as highly flexible. The following franchisee belongs to this category:</p> <ul style="list-style-type: none"> Case C1 (This franchisee indicated during the survey that her franchisor provides a process for franchisees to undertake 3 of the 5 types of innovative activities. The GET results from the survey show that this franchisee obtained high scores on 2 out of 5 entrepreneurial qualities)

With regards to the entrepreneurial tendencies of the franchisees, the mismatches observed between the franchisors' and the franchisees' survey findings (within organisations A and C) suggest that not all franchisors choose the right types of franchisees that they set out to recruit during the franchisee selection process. These results provide some support for Jambulingam and Nevin's (1999) argument that the selection of appropriate franchisees seems to be the franchisor's single most pervasive operating problem. Nevertheless, the findings from the studies conducted by Clarkin and Swavely (2003; 2006) suggest that franchisors assigned the highest level of importance to the personal characteristics of prospective franchisees in the franchisee selection process. Clarkin and Swavely also note that the personal characteristics of franchisees have the greatest influence on cooperation within franchise systems. This shows that the selection of franchisees with suitable qualities is crucial in order to ensure continuous stability within franchise organisations.

With regards to the degree of standardisation/ flexibility within the systems, the divergences observed between the franchisors' and the franchisees' survey findings in two of the systems (organisations A and C) suggest that some of the franchisees may have different views about the entrepreneurial climate within their organisations. In other words, it appears that not all franchisees understand the culture of their organisations with regards to entrepreneurship. Yet it has been recognised in previous studies, e.g. Shaw (2004: 200), that "an entrepreneurial culture is necessary if enterprises are to identify and exploit opportunities, remain flexible within a dynamic environment and compete successfully against larger organisations".

While the results obtained from the contextualisation of the cases offer some valuable insights, they only provide a limited view of the entrepreneurial orientations

within franchise systems. A more detailed analysis of the 7 cases within the different contexts is provided in the following sections.

7.3 Business Profiles of the Cases

Table 7.3.1 presents the profiles of the seven cases (franchisees) studied. The exact names of the participants are not disclosed as they were promised confidentiality. Serial codes (A - C) have been used to identify each franchisee according to their organisations. The table shows that the participants had both single and multi-unit franchise contracts, their outlets were in three different industry sectors with areas of operation in various parts of the U.K., and they were of different ages (i.e., years of establishment). These diverse characteristics made it possible to obtain rich information from the cases.

Cases A1 and A2

Franchisees A1 and A2 are both from the same company, franchise organisation A, and have been with the organisation for 18 and 12 months respectively. Founded in 2003, franchise organisation A is driven by health and safety legislation, and currently has 30 franchised outlets in the U.K. The organisation is a provisional member of the British Franchise Association. Essentially, the franchisees within organisation A provide surveys and management plans to help organisations comply with government legislations, which stipulate that all commercial premises should have a particular health and safety register. Initially when individuals first purchase a franchise from this organisation, the franchisor provides assistance by giving them 32

companies to work on, based on the franchisor’s telemarketing efforts. After this, franchisees are required to generate their own businesses themselves.

Table 7.3.1
 Business Profiles of the Cases

	Industry Sector	Number of Outlets	Area of Operation	Length of Time in Current Franchise
Case A1	Commercial Services	1	Aberdeen	18 months
Case A2	Commercial Services	1	Midlands	1 year
Case B1	Letting Agents	2	Essex (Romford and Chelmsford)	18 months
Case B2	Letting Agents	1	Lincoln	9 years
Case C1	Property and maintenance services, home improvements	2	Devon and Cornwall	6 months
Case C2	Property and maintenance services, home improvements	1	West Sussex County	5 years
Case C3	Property and maintenance services, home improvements	1	Cumbria	1 year

Cases B1 and B2

Franchisees B1 and B2 are both from the same company, franchise organisation B. This organisation is one of the U.K.’s leading lettings agent and property management franchises, and a full member of the British Franchise Association. It offers a

specialist service in property rental, residential lettings and buy-to-let for tenants and landlords. The organisation was founded in 1995 and the first franchise was launched the following year. It currently has 90 franchised outlets with offices in England, Ireland, and Scotland, and is now recognised as the fastest growing and arguably the largest specialist lettings franchise company in the U.K. Basically, the franchisees within this organisation act as residential lettings agents by taking instructions from landlords who have investment properties. They find tenants for these landlords and also manage their properties afterwards. Franchisee B1 has been with the organisation for 18 months, while franchisee B2 was the second individual to buy a franchise in the organisation 9 years ago and is also ranked as the top franchisee in this organisation based on factors such as income generation and business development.

Cases C1, C2, and C3

Franchisees C1, C2, and C3 are from the same company, franchise organisation C. This organisation is a leading specialist in health and safety testing, and a full member of the British Franchise Association. It was established in the 1970s, became franchising in 2000, and currently has 24 franchised outlets operating nationally within the U.K. In 1989 the government passed a Health and Safety Act requiring regular safety testing of all portable electrical equipment, i.e., anything with a plug on it, used in any building other than private homes. If a personal injury occurs on equipment that has not been tested and approved safe, the owner of the electrical equipment being used will find his/her insurance cover is invalid. It is franchise organisation C's job to help businesses, local authorities etc to comply with the 1989 Health and Safety Act. As part of the franchise offering, franchisees cover portable appliance testing, fire extinguisher maintenance, fire alarm systems, and emergency

lighting/signs installation and maintenance. Their clients include councils, schools, and major blue chip organisations. The head office (i.e., franchisor) develops corporate accounts of clients who operate nationwide, and subcontracts any work that is won in franchisees' geographic areas to them. Although franchisees get some work directly through the head office, they are also required to find the rest of their work themselves. Franchisee C2 was the first individual to buy a franchise in this organisation 5 years ago, while franchisees C1 and C3 have been with the organisation for 6 and 12 months respectively.

7.4 Effects of Organisational Culture on Entrepreneurship within Franchised Outlets

This section deductively tests the propositions that irrespective of franchisees' entrepreneurial tendencies: (1a) franchisees who view their franchise systems as highly standardised would perceive their organisational cultures to be unconducive for entrepreneurship, and are likely to have franchisors who do not support and encourage them to engage in entrepreneurial activities; (1b) whereas, franchisees who view their franchise systems as highly flexible would perceive their organisational cultures to be conducive for entrepreneurship, and are likely to have franchisors who support and encourage them to engage in entrepreneurial activities.

Franchisees were asked during the case study interviews to describe the culture of their franchise systems with regards to entrepreneurship, i.e., whether it fosters/ prevents entrepreneurship within franchised outlets. Since a pattern-matching technique was employed throughout the case study analysis (Yin, 2003), the 'actual' pattern of organisational culture obtained from the cases was compared with an

expected 'entrepreneurial' pattern of organisational culture proposed in the entrepreneurship literature (Antoncic and Hisrich, 2001). According to Antoncic and Hisrich (2001), organisational antecedents that influence entrepreneurship within existing firms include the following organisational characteristics and values: open and quality communication, existence of formal control mechanisms, intensive environmental scanning, organisational support, management support, and competition-related values. These set of antecedents were used as criteria to match the actual (case studies) to the expected (entrepreneurial) pattern of organisational culture. The findings are presented in four sub-sections according to the research contexts specified in the previous section.

Cell 1: Franchisees with Higher Entrepreneurial Tendencies who view their Franchise Systems as Highly Standardised

Case C2 was the only franchisee that was studied within this category. As highlighted in the previous section, there was a mismatch between franchisee C2's survey findings and those of his franchisor regarding the standardisation policies in his organisation. While the results obtained from franchisee C2's survey questionnaire suggested that he viewed his franchise system as highly standardised, results obtained from his franchisor and the other franchisees that were interviewed from his organisation suggested that franchise organisation C has a highly flexible culture. Therefore, it came as no surprise that the findings from franchisee C2's case study interview did not support proposition 1a. Rather, the findings provided strong support for proposition 1b, the situation that would be expected within a highly flexible franchise system. As illustrated in Exhibit 1, analysis of franchisee C2's case study interview data suggested that franchise organisation C does not prevent or discourage

entrepreneurship. While the divergence between franchisee C2's survey and case study findings confirms the lack of understanding of the standardisation/ innovative policies within this organisation, they also reveal the importance of conducting in-depth follow-up interviews, in order to illuminate (or 'concretise') the results from quantitative research as Kirby (2007) has recognised.

Exhibit 1 Organisational Culture and Entrepreneurship within Franchised Outlets

"The franchisor doesn't prevent entrepreneurship at all. They [the franchisor] are happy to move us forward. If we come up with good ideas and we want to implement the ideas ourselves, that's fine ... So they are very happy with us giving good ideas" (Case C2).

"Yes, the franchisor probably wants us to engage in entrepreneurial activities because obviously it is to their benefit. If we produce more work coming in it's beneficial for them because they get 15% of everything we turnover. So for them it is obviously beneficial, that's how they grow and that's how we are meant to grow" (Case C2).

Franchisee C2 argued further that the other franchisees within this system have similar views about the entrepreneurial culture in organisation C. This is because there are lots of ideas coming out from franchisees to develop their businesses and most of the ideas are disseminated through e-mails to everyone. For example, there have been a few developments recently where people have tried different ideas and new equipments, or forced the franchisor to have a look at new equipments. However, a major problem that franchisees encounter is that it takes so much time for their ideas to be implemented, as franchisee C2 stated: "Because it's a big organisation, it is very hard to get them to change quickly. I mean they just don't do portable appliance testing, we do fire extinguishers, and they do rental and property. So they are

basically quite a big franchising developing business. So when we have an idea of what we need to change, e.g., the tester, it's taking a year to move that forward. So they are happy to do it but they can't just do it very quickly. that's all. So they are very happy with us giving good ideas but it does take time to implement`.

It was also emphasised that the main way in which the franchisor supports and encourages them to undertake entrepreneurial activities is through a newly created forum (this is in addition to the annual meeting where they all get together to discuss general issues). The franchisor recently employed a franchise coordinator who now joins all the franchisees together through a regional forum that takes place once every 3 months. This forum provides an avenue for franchisees to set up new ideas to develop the business and to discuss how they want to move things forward. As noted by Shaw *et al.* (2005), an innovative and entrepreneurial climate is where new ideas are encouraged and explored. These findings show that franchise organisation C utilises open channels of communication for information sharing and dissemination of new ideas as well as formal mechanisms to encourage entrepreneurship within franchised outlets.

Cell 2: Franchisees with Lower Entrepreneurial Tendencies who view their Franchise Systems as Highly Standardised

Case A2 was the only franchisee that was studied within this category. This franchisee raised several issues to corroborate the argument that franchising is the antithesis of entrepreneurship. As shown in Exhibit 2, franchisee A2 indicated that any franchise prevents entrepreneurship, and franchise system A is no exception. According to franchisee A2, the rules set out by the franchise were considered as one of the reasons

that prevent him from getting involved in entrepreneurial activities, as they stipulate what sort of activities he is allowed and not allowed to undertake (Exhibit 3).

Exhibit 2 Organisational Culture and Entrepreneurship within Franchised Outlets

“I would say that any franchise prevents entrepreneurship ... entrepreneurship if it displays itself pushes you outside the franchise” (Case A2).

“No, no, my system does not permit entrepreneurship. It is purely fire and flooding industry. If a domestic house suffers a fire or a flood it contacts its insurers and insurers repair the damage. So there is nothing you can do and all I do is a small little card in there that tells you whether the material contains [a particular health hazard] or not ... We have to work under the umbrella of the franchise organisation” (Case A2).

Exhibit 3 Organisational Culture and Entrepreneurship within Franchised Outlets

“What stops me from getting involved in entrepreneurial activities are the rules set out by the franchise in the first place, which tells me what I can and can’t do...” (Case A2).

“... you are tied all of the time by the rules and the mark of the franchise which you cannot change. You have to conduct your survey in a set manner, you have to present your findings in a set manner using their software, I have to use their invoicing procedure, I have to use their stationery, I have to use their logo. No, you cannot express any form of entrepreneurship within a franchise” (Case A2).

“Now when we bought the franchise we went on a four week training course and once we were being trained we were told: if you are asked to remove, if you are asked to encapsulate, if you are asked to transport, we want to know nothing about it. That’s not what we do. We are surveyors [of a particular health hazard] so if you do it, you do it outside of the group” (Case A2).

These findings support the proposition that franchisees who view their systems as highly standardised would perceive their organisational culture to be uncondusive

for entrepreneurship. However, the findings from franchisee A2 should be interpreted with caution because they differed considerably from those of another franchisee that was interviewed from his organisation as well as the survey findings from his franchisor, which place franchise A as a highly flexible organisation. The possible explanations of these divergent results are several. First, it is possible that franchisee A2 does not understand the culture/ climate of organisation A with regards to entrepreneurship, as recognised in Section 7.2. Second, franchisee A2 may not have an entrepreneurial motivation, as his GET scores revealed that he has low entrepreneurial tendencies. Moreover, the findings from the other franchisee (franchisee A1) that was interviewed from organisation A revealed that a significant number of the franchisees within this system do not appear to be highly motivated (Exhibit 4).

Exhibit 4 Organisational Culture and Entrepreneurship within Franchised Outlets

“Not all the franchisees in my system engage in entrepreneurial activities. About 50% don’t appear to. I think some are more motivated than others. I think entrepreneurship is personality trait rather than something when you can say you have to do this or you don’t” (Case A1).

“What I find when I’m talking to other franchisees is that some of them expect to be led all the way. They expect to be helped all the time. I don’t feel like that at all. I want to do it myself and I want to push the boundaries as far as I can” (Case A1).

“I don’t feel restricted to engage in entrepreneurial activities, no. But that is just my personal bit because when I go to the meetings with other guys [other franchisees] some of them aren’t like that. They complain that, well, the group [the franchisor] hasn’t done this for me and they haven’t done that for me and it’s just not working for me. But they are not doing it right. You don’t think it’s going to work, so it’s not going to work. I think you have to have drive and determination, and an expectation that it would work in the first place, which is a personality trait, and maybe entrepreneurship. Well, I think that is deep inside the person, not everybody is going to be like that, I think” (Case A1).

Certainly, these findings strengthen the argument that franchisors have to take adequate measures in ensuring that they select suitable franchisees, as this process plays an important role in the growth and cooperation within franchise systems (Clarkin and Swavely, 2003; 2006).

Cell 3: Franchisees with Higher Entrepreneurial Tendencies who view their Franchise Systems as Highly Flexible

Four cases were studied within this category, A1, B1, B2, and C3. In contrast with the two cases analysed above, the survey results from all the four cases studied within this category produced similar results to their franchisors' survey findings, in terms of identifying their organisations as having a highly flexible franchise format. These survey results were strengthened with the findings from the case study interviews, which show that most of the franchisees within this cell have franchisors who want them to engage in entrepreneurial activities, as shown in Exhibit 5.

Franchisees consistently mentioned that their franchisors support them to engage in entrepreneurial activities by organising meetings where they all get together to discuss ideas (Exhibit 6). These meetings come in the form of regional and national forums, annual conferences, high achievers' club, and group trainings. As franchisee B1 stated: "... the biggest support is putting you in contact with other franchisees to enable you to sort of bring ideas together and discuss them". Franchisees considered these as an important environment because the majority of the ideas that they get come from the group meetings.

Exhibit 5 Organisational Culture and Entrepreneurship within Franchised Outlets

“Yes, the franchisor wants us to engage in entrepreneurial activities. There is only so much we can do obviously because we are in a field of residential lettings. So we cannot do too many other things. But there are always opportunities there to explore than that, the offers that you can give to landlords. So they [the franchisor] encourage it [entrepreneurship] because they like us to report back to the group. So if you have done something which works out well, in say Romford, and you take it back to everyone else it can affect the whole group” (Case B1).

“Yes I think the franchisor wants me to engage in entrepreneurial activities within my outlet. I think they encourage you right from the beginning that it is your business and that they will support you to start with. But after that they want you to get out there and generate business for yourself. I think that describes entrepreneurship. They certainly don’t discourage you and they don’t do too much for you other than getting you started. So, yes they do encourage you to go ahead and generate business for yourself” (Case A1).

“Again, he [the franchisor] won’t discourage it [entrepreneurship] unless he thinks it’s a really bad idea ... Anything to do with [franchise organisation B] then he encourages it greatly ... So he would support it if I had an idea to do with [franchise organisation B], he would support it ... I don’t hide anything. So he would encourage it as much as he can ... And to be honest I think that we probably get a lot more, not support, support is not the right word, but a lot more interaction with the other franchisees because we get together quite often. You know these ideas bounce backwards and forwards, and we sort of take ideas” (Case B2).

“I think they don’t want you to be too adventurous, they want you to stay within the remit of the franchise, but to expand the business as best as you can within the fields that they operate” (Case C3).

Exhibit 6 Organisational Culture and Entrepreneurship within Franchised Outlets

“They have just started a thing called forum, where the franchise manager and a representative from the South East, the South West, and Northern region, go and have a meeting once or twice a year to talk about developments and anything that the franchisees want to try and bring in, or develop, or expand. But that’s only just started in the last month really ... I think they probably had a yearly meeting where everybody went and had a few drinks, and whatever. But this was a formal way to talk about problems that there were in the business, and take ideas forward and see what the franchisees thought about what the corporate bit of the business was doing, and also for us to put ideas forward and get them discussed” (Case C3).

“Yes, yes, we have an annual conference once a year. There are also regular training meetings going on. There is also what he [the franchisor] calls the high achievers’ club, [which is] judged on how much an individual brings to the group. So for a franchisee to win, he would have to give more than just being a franchisee. It will have to be on a forum, and our ideas, ... and that sort of stuff” (Case B2).

“There are other meetings as well. We have what is called a national forum. I have a seat on the national forum, and the national forum helps the franchisor take the business forward. We set up working groups to look at specific areas of the business to make sure we are the leaders in the market, and I am in charge of insurances. So all the insurance products that we set up, that we sell, I have organised for the group. But the forum is very good because it means that we can help direct the business in the right direction. So I would say for the last year the majority of the ideas that have been brought forward have come from the forum. So ... it’s us franchisees helping to take the business forward. So it’s very good” (Case B2).

“Also at the regional meetings, we get outside agencies in.... So again our next regional meeting is on 12th June, I have invited our insurance guy to come and give a presentation on the new product that we are just about to launch on the 1st of July because they need to know about it. So I think we do all share ideas” (Case B2).

“Yes, we have franchisee forums. I would say we meet quarterly, so every 3 months. We discuss issues relating to entrepreneurship at the forum. It comes up. But probably not called that. In other words, some people who want to do more, like, to stretch the boundaries. So it comes up” (Case A1).

“Through our software package, there is a bulletin board where you can sort of post ideas that other franchisees can see and respond to ... I think the biggest support is putting you in contact with other franchisees to enable you to sort of bring ideas together and discuss them. I think you’ve got to have the mindset of an entrepreneur to actually take on any business from the start, anyway. So I think a lot of people have already got that in them anyway. So it’s not sort of necessarily development, it’s more of sort of just encouraging, and I think the way they [the franchisor] bring people together and make people aware of what other people are doing in a way of turnover, things like that, is sort of, almost makes it like a bit of a competition. So you almost think that, right I want to prove to myself and get another 3 places up the league table, and things like that. So it’s sort of a bit of a drive forward” (Case B1).

As noted by Antoncic and Zorn (2004), an important organisational element that is beneficial for entrepreneurship within existing firms is organisational and management support for such activities. In particular, support in terms of training and trusting individuals within the firm to detect opportunities (Stevenson and Jarillo, 1990) and in terms of resource availability (Kanter, 1984; Pinchot, 1985). These have been proposed to influence positively organisational entrepreneurial activities and behaviours, and Antoncic and Hisrich (2001) have presented empirical evidence for this linkage. The results obtained from the franchisees' case study interviews correspond to these previous findings. Also, the current edition of the Natwest/ British Franchise Association Survey (2006) reveals that the prevalence of associations and support networks for franchisees has increased. According to the survey, two in five franchisees report that their franchisors have an association for them. Of those for whom it is available, 76 percent are members.

In support of the flexible nature of their franchise formats, the franchisees indicated that they enjoyed considerable independence at the operational level (Exhibit 7). This is similar to what Pizanti and Lerner (2003) refer to as 'entrepreneurial franchising'. Contrary to some studies that show a tendency towards high levels of control within franchise systems (e.g., Felstead, 1991; 1993), these findings correspond to the results obtained by Stanworth (1991) that at the operational level, franchisees enjoy substantial independence. Hoy *et al.* (2000) argue that there are clear limits to the control franchisors can exercise physically or normatively at the operational level. The franchisor often finds it convenient not to be too restrictive since oversupervision may produce negative results. For instance, the franchisor would not wish to be greatly involved with personnel issues in the franchise outlet. This was obvious from franchisee B1's response: "We [the franchisees] work under

their [the franchisor's] guidelines but they have no involvement with the actual day-to-day running of the business, or how we staff the office, or anything like that ...".

Pizanti and Lerner (2003) reported that the operational autonomy and flexibility granted to the franchisees strengthened their motivation to run their outlets thus contributing to collaboration between franchisor and franchisees.

Exhibit 7 Organisational Culture and Entrepreneurship within Franchised Outlets

"We are pretty much independent of the head office. We work under their guidelines but they have no involvement with the actual day-to-day running of the business, or how we staff the office, or anything like that. But their own guidelines are the look and colour of the shop, things like that, and the branded literature, bits and pieces like that. But day-to-day operational is pretty much down to us as a business here to make our own decisions day-to-day" (Case B1).

"... they let you get on with your business as it were. In fact they do not sort of instruct you anytime, whatsoever, you should do this each week, or should do that next month, or whatever, or this year we are really gonna push this forward, you know" (Case B1).

"They are pretty flexible as to just let you run your own business. I'm sure other franchisees are pretty much more regulated by their head office. Whereas, ours is pretty much, this is our business and all you have to do is report to the head office at the end of the month, that sort of thing. So I could not say they really discourage you from doing anything. You have got your guidelines to stick to, or should stick to, you know, that's where you should be going and if you are not, then they might pull you back into line. But they won't discourage you from doing things" (Case B1).

"I don't feel discouraged at all. I feel quite free to do pretty much anything I want ... Really nothing prevents me. I can pretty much try anything I like. I think I have enough going on at the moment. But at the moment I have got enough on my plate to make the best of the opportunities that have come along" (Case A1).

"They like you to develop your own business and work with as much freedom as possible, but they also like to know if you are working with the major organisation ..." (Case C3).

Organisational values/ beliefs are regarded as important drivers of entrepreneurship within existing firms. Previous studies (e.g. Zahra, 1991) have reported a positive relationship between corporate entrepreneurship and organisational values that are competition centered. In line with these, the franchisees indicated that their franchisors make them recognise that it is important to be unique because of the rivalry in the marketplace. For example, franchisee B1 stated that: "But they [the franchisor] also try and make you see that you've got to be different to everyone else out there. You know there is competition in every market place and in every field. So the only way you gonna get forward is to be different and bring different qualities to the forefront of the market, which is doing as I said earlier, a little bit extras for the landlords if there is a need". These results support Falbe *et al.*'s (1998) argument that as competition increases, firms also increase their entrepreneurial activities. Therefore, franchisors facing increased competition are more likely to encourage their franchisees to innovate. They also correspond to the point noted by Weaven (2004) that franchisees are often encouraged to innovate in areas such as new product development in order to strengthen the system's competitive positioning in the marketplace.

Thus, the above findings provide strong support for the proposition that franchisees who view their franchise systems as highly flexible would perceive their organisational cultures to be conducive for entrepreneurship, and are likely to have franchisors who support and encourage them to engage in entrepreneurial activities. Although the franchisees argued that their systems promote entrepreneurship, they acknowledged that there is only a certain amount of entrepreneurial behaviours that they can display within a franchise set up, as franchisee C3 noted: "I think they [the franchisor] don't want you to be too adventurous, they want you to stay within the

remit of the franchise, but to expand the business as best as you can within the fields that they operate ... They like you to develop your own business and work with as much freedom as possible, but they also like to know if you are working with the major organisation ...”.

Cell 4: Franchisees with Lower Entrepreneurial Tendencies who view their Franchise Systems as Highly Flexible

Case C1 was the only franchisee that was studied within this category. The findings from this case correspond to those of the four franchisees that were interviewed in the previous section, who also had flexible systems. As shown in Exhibit 8, franchisee C1 indicated that the culture of organisation C is quite open, and her franchisor does not prevent franchisees from undertaking entrepreneurial activities. These findings support the proposition that franchisees who view their systems as highly flexible would perceive their organisational cultures to be conducive for entrepreneurship, and are likely to have franchisors who support and encourage them to engage in entrepreneurial activities.

Exhibit 8 Organisational Culture and Entrepreneurship within Franchised Outlets

“I would say the culture of my franchise system encourages entrepreneurship. It is quite open. What you actually have to do is all down to you. The actual process of what you do, the actual job, how you generate customers, and how you generate your own business is entirely up to you. So it is quite free” (Case C1).

“The franchisor does not prevent or discourage us from undertaking entrepreneurial activities, you did whatever you like” (Case C1).

“There are no controls from the head office that restrict our entrepreneurial activities. Most of what we have wanted to be doing, you are just given a free rein to go off and do it” (Case C1).

Although the results demonstrate that the franchisor encourages entrepreneurship, it was noted that the support obtained from the franchisor to engage in such activities is quite minimal: “It [the support] is quite limited. We had an initial training which really just talked about which market sectors to aim at ... But we have done some different things ourselves in order to generate business” (Case C1). This coincides partly with the results obtained from the two other franchisees that were interviewed from organisation C who also indicated that the franchisor had just recently introduced a new forum 8 weeks ago where franchisees can meet to discuss ideas.

Summary

Overall, the findings presented in this section show that organisations with flexible systems have an open culture that fosters entrepreneurship among franchisees. The findings reveal the existence of the following organisational antecedents to entrepreneurship within franchised outlets: granting franchisees autonomy in form of operational independence and flexibility; establishing open channels of communication for information sharing among franchisees; instituting formal forums for discussion, generation, and dissemination of new ideas; having organisational values that are competition centered; and importantly, having organisational and management support for promoting entrepreneurial activity. The findings closely match most of the antecedents to entrepreneurial behaviour within existing firms identified by Antoncic and Hisrich (2001), as well as the antecedents to intrapreneurial behaviour in franchise organisations reported in the study by Weaven (2004). However, in a few cases, it appears that not all the franchisees understood the culture/ climate of their organisations with regards to entrepreneurship, as franchisees

from the same organisation had different views about their organisational culture. In the next section, details of the franchisees' entrepreneurial behaviours and activities are presented in order to see how organisational culture influences the extent to which franchisees actually engage in entrepreneurial endeavours.

7.5 Entrepreneurial Behaviours and Activities of Franchisees

This section deductively tests the propositions that irrespective of the levels of standardisation within franchise systems: (2a) franchisees who possess higher entrepreneurial tendencies are more likely to display entrepreneurial behaviours/engage in entrepreneurial activities; (2b) whereas, franchisees who possess lower entrepreneurial tendencies are less likely, or unlikely, to display entrepreneurial behaviours/engage in entrepreneurial activities.

The case study interview questions focused on the entrepreneurial activities that franchisees had undertaken in the past within their outlets, as well as their current and future entrepreneurial activities. The 'actual' pattern of behaviours and activities from the case studies was compared with an expected 'entrepreneurial' pattern of behaviours and activities, based on the elements of organisational level entrepreneurial activities identified in Antoncic and Hisrich (2001). According to Antoncic and Hisrich (2001), four distinct dimensions of entrepreneurship activities within an existing organisation are: new business venturing, innovativeness, self-renewal, and proactiveness. The four elements are distinct in terms of their activities and orientations. For the new business-venturing element, emphasis is on pursuit and entering of new businesses within the existing organisation that are related to the

firm's current products or markets. The innovativeness element focuses on creation of new products, services, and technologies. The self-renewal dimension reflects the transformation of organisations through the renewal of key ideas on which they are built, and includes the redefinition of the business concept, reorganisation, and the introduction of system-wide changes for innovation. The final element – proactiveness – refers to the extent to which organisations attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, and administrative techniques. Similar to the previous section, the research findings are presented in four sub-sections, each of which compares the franchisees according to the research contexts specified in Section 7.2.

Cell 1: Franchisees with Higher Entrepreneurial Tendencies who view their Franchise Systems as Highly Standardised

As in the previous section, Case C2 was the only franchisee that was studied within this category. Analysis of the data revealed that the franchisees within organisation C had collectively engaged in a major technological innovation, which involved the development of new equipments for their operations (a new tester and a new computer operating system). According to franchisee C2, who had the original idea for the product, the key motivating factor to develop a new testing equipment was because the initial process of operations was inefficient: “The motivating factor for the idea was to get things done quicker, and more efficient and easier ... So it is just to make things faster for us ... and also have a better control of storing information, data, instead of having files and files of paperwork. To have it all on a computerised system is obviously a lot easier” (Case C2).

Being a franchisee with a company that undertakes regular safety testing of portable electrical equipments meant that the nature of the business was very paper orientated. As franchisee C2 noted: “You have to write everything down, when you go into a room to test the equipment, you do the test, write the name of the equipment that was tested, name of the manufacturer, results of the test, and you end up with thousands of sheets of paper ... If a franchisee does 40 jobs a week and there are almost 30 other franchisees doing the same thing, testing a thousand items, that’s a lot of information and paperwork ... The information is then sent to the head office where they produce a report and invoice, which they would then send to the client. So it’s a very paper orientated thing”. As the number of franchisees increased, the process became slow and inefficient and the head office found it difficult to catch up with the franchisees’ paper work. Consequently, franchisees experienced severe delays with their payments, and in some cases they do not even get paid at all for certain jobs due to misplaced paperwork.

In order to solve this paper trail problem, franchisee C2 tried several alternatives such as the use of laptops to type in all the equipments that were tested but this proved to be another slow process. As a permanent solution to the problem, franchisee C2 eventually came up with an idea to develop a new tester that would include a software that franchisees could use to physically input all the equipments that they test instead of having to write them down. In other words, the tester stores all the information and no paper work was involved. As franchisee C2 added: “It’s new idea, no one is doing this at all. We have moved all these forward”.

Although franchisee C2 came up with the idea, it was emphasised that the progress made with the development of the product could not only be attributed to his own self-efforts, but to the successful collaboration with the manufacturer, franchisor

and other franchisees within organisation C. When asked if franchisees received sufficient help from the franchisor, the findings revealed that the franchisor was very helpful with the development of the new product: “Yes, ... We worked quite well on that together. We had to, because it just wasn’t working, ... Yes, they [the franchisor] have been very helpful out there”. These findings support and extend Kaufmann and Dant’s (1999) argument that franchising creates a distinct form of entrepreneurship that can be called an ‘entrepreneurial partnership’. They also strengthen Shane and Hoyer’s (1996) view that franchising represents a unique form of entrepreneurship, cooperative entrepreneurship, which requires a set of entrepreneurs to cooperate with another set of entrepreneurs who purchase the former’s organisational routines.

In terms of the problems encountered with the development of the new equipment, the findings indicated that the entire process became too lengthy: “It took so long to do it. That was the thing, when you leave it to so much design and change. They [the manufacturer] had to go away and then sort the software out and put that in there, came back, tried a bit, didn’t work. So, basically, we were all back here saying are they going to be able to do it?” (Case C2).

Although the product is still being piloted in one of the franchised units, the fact that the franchisees within organisation C could come up with a new idea to solve their operational problems reveals their creative and innovative abilities. These findings are consistent with Morris *et al.*’s (2002: 4) argument that “innovativeness refers to the seeking of creative, unusual, or novel solutions to problems and needs”. They also support proposition 2a, as well as the point noted by Combs *et al.* (2004) that franchisees are an important source of innovation for highly standardised franchise systems.

Cell 2: Franchisees with Lower Entrepreneurial Tendencies who view their Franchise Systems as Highly Standardised

Similar to Section 7.4, Case A2 was the only franchisee that was studied within this category. The findings revealed that franchisee A2 has never undertaken any type of entrepreneurial activities in his outlet, and was not planning to engage in any entrepreneurial activity in the future. The results provide strong support for proposition 2b that franchisees who possess lower entrepreneurial tendencies are less likely, or unlikely, to display entrepreneurial behaviours/ engage in entrepreneurial activities. As shown in Exhibit 9, the reasons for not engaging in entrepreneurial endeavours were attributed to the rigid franchise format that must be adhered to, and unwillingness on his part to get involved in the available entrepreneurial avenues that were known to him. As would be seen in the next section, these findings differ considerably from those of the other franchisee (franchisee A1) that was interviewed from organisation A who demonstrated substantial entrepreneurial behaviours.

Exhibit 9 Entrepreneurial Endeavours of Franchisees

“What stops me from getting involved in entrepreneurial activities are the rules set out by the franchise in the first place, which tells me what I can and can’t do. And secondly, my reluctance to move into the other avenues within my franchise, and the only other avenues are if I have told you that you have [the health hazard in your building] and I have told you where it is, the only other thing you can do is to take it away, take that problem away, which makes me become a remover. I am not a physical workman. I do not do it. Therefore, I don’t want to do it ... So it’s reluctance on my part to enter the only other avenues that are available. I don’t mean I am a lazy man. I mean I am not a workman, I have never been a workman, I don’t intend to be a workman ... So there are avenues, I know about them, but it is my desire not to get involved in them that stops me being entrepreneurial on those points” (Case A2).

“So the opportunities are known to me it’s not something I want to do. I wanted to be a manager, a managerial surveyor and do surveys” (Case A2).

Surprisingly, the results obtained from analysis of Case A2 revealed that franchisee A2 had displayed entrepreneurial attributes in his previous jobs (Exhibit 10). Questions have been raised in the literature regarding the time horizon required for labelling a person as an entrepreneur. For example, some studies (e.g., Kaufmann and Dant, 1999: 9-10) have enquired whether an entrepreneurial status should be dependent on current activity, or on past accomplishment. In other words, "is being an entrepreneur more like being a current student or like being a college graduate?" The above findings provide some support for the point noted by Antoncic and Hisrich (2004: 520-521) that "entrepreneurship exists only when new combinations are actually carried out and ceases when this process is completed". Although franchisee A2 has had prior entrepreneurial achievements, his present lack of involvement in entrepreneurship, coupled with his low scores on the GET test (Figure 7.2.1) suggest that environmental factors may play a role on the extent to which individuals embark on entrepreneurial activities.

Exhibit 10 Entrepreneurial Endeavours of Franchisees

"I have run a business which I started from scratch as a building contractor. I recognised the niche market of working nationally, I recognised the niche market of working particularly on shops, banks, and I did Bank of Scotland, Waterstones bookshop, that's sort of the major clients. When I had to stop trading because the government said you can no longer employ sub-contractors you have to have them directly employed, I could no longer perform ... So I had to stop. I had a manufacturing factory. So I then continued doing my manufacturing, which I did for another four years, but then Health and Safety wanted so many protectors put on to machines that you could no longer get the machines to make it work. So I had to stop. So, yes, I have been entrepreneurial in the past because I have started and developed and moved two businesses to suit the marketplace. But currently, no, I can't for the reasons that I gave" (Case A2).

Cell 3: Franchisees with Higher Entrepreneurial Tendencies who view their Franchise Systems as Highly Flexible

Similar to Section 7.4, four franchisees were studied within this category: Cases A1, B1, B2, and C3. Analysis of the data revealed that all the franchisees within this category display entrepreneurial behaviours, had undertaken different types of entrepreneurial activities, or were planning to embark on entrepreneurial activities. As illustrated in the quotations within Exhibit 11, the franchisees' past and current entrepreneurial endeavours included the introduction of new products, new services, new methods of operation, establishment of new businesses within their existing organisations, and the opening up of new markets.

In addition to franchisees' past and current entrepreneurial accomplishments, some of the franchisees were also planning to engage in more entrepreneurial activities in the future. For instance, franchisee B1 was planning to open another office in a completely different area in 18 months time, and franchisee C3 indicated that he was planning to takeover another area, as there were lots of areas around his region that have not had franchisees in place. These findings corroborate the point noted by Gassenheimer *et al.* (1996) that many franchisees act as entrepreneurs by seeking growth through additional franchise units.

Exhibit 11 Entrepreneurial Endeavours of Franchisees

"For instance, insurance, I have been looking at that, and from November I'm introducing a new product, which is my idea. And I have taken it to the forum, and I did all my research before, like you are doing now. So I have got a product and how much it's going to cost and what it's going to do, and I have given them the details in the forum and they all said thank you very much we love it" (Case B2).

"I have also set up a house sales called 'houses to order' and that's mainly set up for the investor to invest their sale. So I have a landlord that wants to sell, I have investors that are looking, I just put them together and they get the sale. But again that's separate from [franchise organisation B]. That's what I have done to give more income" (Case B2).

"Now what I have done ... is that I have set up my own maintenance company which is completely separate from [franchise organisation B]. So although the franchisor knows that I have done it, he does not get any income from it because it's not part of [franchise organisation B] ... I think having a maintenance company within the same premises, makes it possible for [franchise organisation B] to give added value because it means I have direct control over the maintenance man that we send out to do a job. The maintenance company basically does maintenance on our properties because we look after about 500 properties within Lincoln and surrounding villages. So if there is a leak we go and fix it. If a house wants a refurbishment like new carpets, decoration, new kitchen, new bathroom, we can do that as well. Yes, everything to do with maintenance" (Case B2).

"There is only so much we can do obviously because we are in a field of residential lettings. So we cannot do too many other things. But there are always opportunities there to explore than that, the offers that you can give to landlords ... which is doing as I said earlier a little bit extras for the landlords if there is a need ... I have done sort of 'property finding' and things like that, yes, yes, yes. It's more of somebody come to us and said I am thinking of buying a property. So yes, it's like I will tell you what will help you out" (Case B1).

"I didn't have anything to start with, so the methods of operation really I developed myself because we started from scratch. There were no methods of operation in day one. So I have just developed them" (Case B1).

"I am talking to companies about expanding the business into a wider range of activity. We currently just work on buildings. Because I live in Aberdeen, and Aberdeen is an oil town, we have the opportunity, or I may have the opportunity to work offshore in the oil fields doing the work out there, and also in shipping. So I have been talking to companies about doing that sort of thing ... So I see that as a new opportunity. I don't think anybody else has done that so far within my organisation. So that's an opportunity, and also oil rigs because as the oil fields in the north sea mature and come to the end of their life they have to decommission these structures. And before you can decommission it and take them away you have to make sure there is no [health hazard] on them. So there is a possibility of survey work on offshore installations as well. So I am looking at that ... I see that the onshore work that we do at the moment may have a finite life to it; it might not go on and on ... Once the survey is done you don't necessarily get another survey for the same company. So I see this work as basically breaking new ground and ensuring I have an income into the future" (Case A1).

Although the findings suggested that the franchisees that were interviewed within this category were involved in entrepreneurial endeavours, some of the franchisees indicated that not all the franchisees within their systems appeared to be entrepreneurial (Exhibit 12). These indications strengthen the findings presented in Section 7.2, which suggest that not all franchisors choose the right types of franchisees that they set out to recruit during the franchisee selection process.

Exhibit 12 Entrepreneurial Endeavours of Franchisees

“Not all of the franchisees in my system engage in entrepreneurial activities. About 50% don’t appear to. I think some are more motivated than others. I think entrepreneurship is personality trait rather than something when you can say you have to do this or you don’t ... What I find when I’m talking to other franchisees is that some of them expect to be led all the way. They expect to be helped all the time. I don’t feel like that at all. I want to do it myself and I want to push the boundaries as far as I can” (Case A1).

“Some franchisees are entrepreneurial in my system and some are not. I would probably say 50/ 50. I think some people just see it [franchising] as almost buying a job. You know, they buy the franchise to secure their own job, and that’s all they want to do, is just make enough, or just have enough money to employ themselves, or partner, or whatever. Whereas, other people want to grow the business, push it forward” (Case B1).

Another area that evolved from the data was that some of the franchisees adopted an entrepreneurial approach to their marketing activities. For example, in order to generate business, franchisee C3 relied on networking within local associations (such as the British Networking Institute and Chamber of Commerce), informal contacts at the rugby club, local pub, and friends. Also, franchisee A1 revealed that: “ ... I’ve done a lot of networking with people that I know from my previous working life, and used those contacts and networks to get me into situations

where I've managed to generate work that, maybe, others couldn't, through having this knowledge of people and developing that into business opportunities which has worked for me ... it is how I market the company" (Case A1). Entrepreneurial marketing has emerged as an important development in marketing theory and practice (Stokes, 2000; Collinson and Shaw, 2001; Shaw 2004). The term has been employed frequently to describe the marketing activities in small and resource constrained firms where such firms rely on creative and often unsophisticated marketing tactics that make heavy use of personal networks (Morris *et al.* 2002). Collinson and Shaw (2001) argued that networks and successful networking were important for entrepreneurial marketing. The findings obtained from the franchisees' interviews were consistent with the results from a study conducted by Shaw (1999), which found that networking was used specifically by owner-managers to acquire new and repeat business either directly from clients, or indirectly, through introductions and referrals.

Furthermore, analysis of the data revealed that a majority of the franchisees displayed considerable proactiveness, one of the key dimensions of firm-level entrepreneurship, as they strived to lead rather than follow competitors in such key business areas as the introduction of new products/ services (Covin and Slevin, 1986). For example, one of the franchisees indicated the high level of competitive aggressiveness displayed in his outlet through the responses shown in Exhibit 13.

Exhibit 13 Entrepreneurial Endeavours of Franchisees

“I am looking at an idea of giving all new tenant applicants free Sky TV in the property as an incentive to let more houses. We let about 15,000 houses a year, so if I can get a corporate deal with Sky to offer that, and not just me offering it, but the whole of the group offering it, then they would have 15,000 more customers than they have today at the end of the year. Again I am looking at the idea. I’ve got the contact in Sky who has given me the right person to speak to to try and set something up. I don’t know if it’s possible. But it’s just trying to do something different to your competitor, that’s what entrepreneurship is, doing something different, having a USP, Unique Selling Point. That’s what we try to look at all the time ... The Sky one, if it comes off, it’s probably not going to be until later this year because it needs properly looking at. So any idea that we have that changes the business has to be clearly thought of” (Case B2).

“Our insurances that we [franchise organisation B] offer to our landlords cannot be beaten by anyone, anywhere. Because I have gone into insurance companies, and said, right, I want this, this, this, this, and this, and this, this, this, and I’ve got it. Because we have, I suppose, the buying power because we have 90 branches throughout the U.K. And I’ve got them at really, really good rate, and again, that’s one of our Unique Selling Points, is that our insurances are very, very good. I am in the process of offering my landlord free rent and legal insurance when they sign” (Case B2).

“We look after some student property, portfolio, and we have about 300 beds. I am currently looking at rebranding it under a different brand called ‘Student Living’. It’s trying to get the student market. It will still be part of [franchise organisation B]” (Case B2).

The above findings provide strong support for proposition 2a that franchisees who possess higher entrepreneurial tendencies are more likely to display entrepreneurial behaviours/ engage in entrepreneurial activities.

Cell 4: Franchisees with Lower Entrepreneurial Tendencies who view their

Franchise Systems as Highly Flexible

Case C1 was the only franchisee that was interviewed within this category. This franchise is owned and operated by both husband and wife, and the wife was the only person available for the case study interview. As shown in Exhibit 14, the findings

from the interview revealed that they had engaged in some entrepreneurial endeavours such as the introduction of a website, and the adoption of a new franchise with a different company. However, the results suggested that relative to her husband, this franchisee was less involved in entrepreneurial activities: “I mean I would say out of the pair of us, he’s probably more entrepreneurial than me” (Case C1). Since the wife responded to the GET test and the questionnaire survey conducted in stage two of the research, these findings provide some support for proposition 2b that franchisees who possess lower entrepreneurial tendencies are less likely, or unlikely, to display entrepreneurial behaviours/ engage in entrepreneurial activities.

Exhibit 14 Entrepreneurial Endeavours of Franchisees

“But we have done some different things ourselves in order to generate business: my husband is running a website ... The website, my husband has designed from scratch, that’s his own invention. Although there is a corporate website which says a little bit about the company, it doesn’t say very specifically about us. So my husband has written our own website to generate business, which has generated a couple of pieces of business ... The franchisor was happy with us when we designed the website because out of all their franchisees I think we were the only ones who have actually done a website” (Case C1).

“We do two things. We do the portable appliance testing and we sell alarms for ADT. So, we’ve got two things [franchises] running ... They are both Health and Safety, fundamentally ... ADT, really, for our market is primarily residential customers and [franchise C] is purely commercial ... Our contracts with both companies are completely separated, but both of them know we do the other thing ... Originally, we were doing [franchise C] then the opportunity with ADT came up. So we said to the franchisor, look we are thinking of doing this, is this ok under your terms and agreements? Are you happy with us doing this? And they basically said, yes we are, that’s fine” (Case C1).

Summary

Overall, considerable entrepreneurial behaviours and activities were observed among most of the franchisees who possess higher entrepreneurial tendencies, while those who possess lower entrepreneurial tendencies were less involved, or had no involvement, with entrepreneurial endeavours. These findings suggest that certain entrepreneurial characteristics predispose individuals towards entrepreneurial activities, and provide strong support for the psychological characteristics school of entrepreneurship. They also have significant implications for the recruitment policies of franchise organisations. Organisations that are more concerned about fostering entrepreneurship within their systems should take extra care in ensuring that adequate measures are used to select entrepreneurial individuals from the pool of prospective franchisees. The results from the cases also show that the franchisees undertook three of the four dimensions of entrepreneurship (new business venturing, innovativeness, and proactiveness) highlighted in the study by Antoncic and Hisrich (2001). The fact that none of the franchisees were involved in self-renewal activities (the transformation of organisations through the renewal of key ideas on which they are built such as the redefinition of the business concept) proves that uniformity throughout the system is a hallmark of franchising.

7.6 Outcomes of Franchisees' Entrepreneurial Activities

Entrepreneurial actions are often seen as an important path to competitive advantage and superior performance in organisations of all types and sizes. Some even believe that the failure to make use of entrepreneurial actions successfully in the fast-paced and complex global economy is a recipe for failure (Kuratko *et al.*, 2001). However, it

was only recently that much empirical evidence has been provided to justify the conventional wisdom that entrepreneurship in established organisations generates superior firm performance (Covin and Miles, 1999). This section adds to this body of wisdom by deductively testing the proposition that: (3) the outcomes of franchisees' entrepreneurial activities would create new value for their outlets and the entire system.

All the franchisees who displayed entrepreneurial behaviours were asked during the case study interviews to explain the outcomes of their past and current entrepreneurial activities, as well as the anticipated results of their future entrepreneurial activities. The interview findings were compared with the consequences of firm-level entrepreneurship documented in the entrepreneurship literature. As noted by Antoncic and Hisrich (2004), the elements of organisational performance that occur as a result of corporate entrepreneurship include growth (e.g., growth in sales, market share, and number of employees), profitability (e.g., company's profitability in comparison to all competitors, as well as to competitors that are at about the same age and stage of development, return on sales, return on assets, and return on equity), and organisational wealth creation (e.g., creation of new available funds).

As highlighted in Table 7.6.1, the results demonstrate that, in addition to business growth and new knowledge, the franchisees were generating more turnovers for their franchisors as a result of their entrepreneurial actions. These findings are parallel to some of the reasons why franchisors want entrepreneurship within their systems, as highlighted in the following responses that were also documented in Section 7.4: "Yes, the franchisor probably wants us to engage in entrepreneurial activities because obviously it is to their benefit. If we produce more work coming in,

it's beneficial for them because they get 15 percent of everything we turnover. So for them it is obviously beneficial, that's how they grow and that's how we are meant to grow" (Case C2); "Yes, the franchisor wants us to engage in entrepreneurial activities ... because they like us to report back to the group. So if you have done something which works out well, in say Romford, and you take it back to everyone else it can affect the whole group" (Case B1).

The effects of the franchisees' entrepreneurial activities on their own outlets came in the form of more income, business growth, generation of new businesses (customers), and new knowledge. The anticipated outcomes of the franchisees' future entrepreneurial activities, illustrated in Table 7.6.2, were basically the same as the current outcomes. These outcomes are similar to franchisees' motivations for engaging in entrepreneurial activities, for example, franchisees A1 and C2 stated that: "Well, the motivating factor is to generate more business, which generates more income. That's the simple part of it ... Just to drive the business forward, to make it more successful, and to keep me gainfully employed, make money" (Case A1); "To earn a bit of money. We are not doing it [engaging in entrepreneurship] for the love of it. It's to earn a bit of money at the end of the day" (Case C2).

The above results are consistent with previous studies (e.g. Zahra and Covin, 1995; Antoncic and Hisrich, 2004) that report a positive and strengthening linkage between corporate entrepreneurial behaviour and subsequent financial performance. The improved organisational results reported by the franchisees were also consistent with Zerbinati and Souitaris' (2005) argument that entrepreneurial organisations are explicitly focused in the creation and harvest of value (i.e. wealth creation). These findings support the proposition that the outcomes of franchisees' entrepreneurial activities would create new value for their outlets and the entire system.

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Table 7.6.1
Outcomes of Franchisees' Past and Current Entrepreneurial Activities

Past and Current Entrepreneurial Endeavour	Outcome for Franchisor	Outcome for Franchisee	Example of Raw Data
Engages in entrepreneurial marketing	More income	Business growth	“They [the franchisor] get a royalty based on the amount of business that I do. So the outcome for them is that they get bigger royalty. That’s probably all the thing they get. They get more income from it” (Case A1).
Presently working on opening up new markets (business expansion into offshore areas: oil fields and shipping)			“I will say it has been reasonably successful. Because my business has been fairly successful so far, the outcome is that I have a larger network of people from whom I can get business ... So it has been very much worth it from that point of view. So the outcomes have been pretty good and I would expect in future they would be even better. So I think it’s worth going out there and doing it [engaging in entrepreneurial activities]” (Case A1).
Provision of new service (‘Property Finding’)		More income	“A sense of achievement I suppose, and the business still here. The major outcome is that we still open the door each day. If the outcome did not allow us to do that, then, you know that you have done something wrong and you’ve got to quite address it, or you’ve got to walk away from the business and call it a day. So that’s really what I achieve out of it, more income” (Case B1).
Opened new business venture (maintenance company)	More income and business growth	Business growth	“Well, they [the franchisor] get more percentage, they get more money from me. If I make more money, they make more money” (Case B2).
Provision of new service (‘Houses to Order’)			“I have also set up a house sales called ‘Houses to Order’ and that’s mainly set up for the investor to invest their sale. So I have a landlord that wants to sell, I have investors that are looking, I just put them together and they get the sale ... That’s what I have done to give more income” (Case B2).
Introduction of new product (insurance)			“Now what I have done ... is that I have set up my own maintenance company which is completely separate from [franchise organisation B] ... having a maintenance company within the same premises, makes it possible for [franchise organisation B] to give added value because it means I have direct control over the maintenance man that we send out to do a job ... I would say it’s trying to better yourself, trying to be the best ... I am also the top franchisee as well, so he [the franchisor] pays particular attention to me” (Case B2).
Introduction of new method of operation (a means to ensure more communication with landlords)			“The concept that we had when I first started 9 years ago was a cottage industry type business, primarily for husband and wife working from home earning about 60,000 a year, no shop, no vans, no staff, nothing. Look where I am today, I’ve got 11 staff, 500 properties, four vans ... So we have helped him [the franchisor] tremendously get to where we are today” (Case B2).

Table 7.6.1 (Cont'd)

Outcomes of Franchisees' Past and Current Entrepreneurial Activities

Past and Current Entrepreneurial Endeavour	Outcome for Franchisor	Outcome for Franchisee	Example of Raw Data
Designed a website	More income	Generation of new business	"We are generating more income for them [the franchisor] ... Once basically, once we get business they then take 15 percent off of what we actually do. So the more successful we are the more money we make for them" (Case C1).
Engages in entrepreneurial marketing			"... we have done some different things ourselves in order to generate business: my husband is running a website ... The website my husband has designed from scratch, that's his own invention. Although there is a corporate website which says a little bit about the company it doesn't say very specifically about us. So my husband has written our own website to generate business which has generated a couple of pieces of business ... So it's purely generating customers" (Case C1).
Adopted a new franchise from another company			
Developing a new product and technology (new testing equipment and computer operating system)	New knowledge	New knowledge	"The market has been opened up by us really. We are leading the market in what we want to do. Just by putting this forward, no one else has thought of this, you see, even the people that manufactured the box. We have now combined the paperwork with the box. So it's all in one unit now ... So we have moved a whole industry forward now because of this paper problem that we've got" (Case C2).
Introduced new sources of supply			

Table 7.6.2

Anticipated Outcomes of Franchisees’ Future Entrepreneurial Activities

Future Entrepreneurial Endeavour	Outcome for Franchisor	Outcome for Franchisee	Example of Raw Data
Complete the expansion activities into new markets	More income	More income and business growth	“Yes, the outcome for the head office [the franchisor] would be the same, in terms of more royalties” (Case A1).
			“The outcome is that I maintain the business and expand the business ... Hopefully, what I do might generate more income for me ... because that’s my intention” (Case A1).
Planning to open another outlet in 18months time	More income	Business growth	“More money [for the franchisor]” (Case B1).
Continue with entrepreneurial marketing	More income	More income	“It [the new outlet] would make this one [the current outlet] busier as well because we will have two ... and it will make this one busier” (Case B1).
			“The outcome for the head office is that we would make them more money” (Case C1).
			“The outcome for us is that, you know, we would run a business that can support us” (Case C1).
Full development of new product (new testing equipment)	Solution to operational problem, business growth, and more income	Solution to operational problem, business growth, and more income	“Well, we are still developing ... At the moment it’s still in a stage where we have the box, we are trying it out, we are still ironing the box out ... We know what we want, we want it to be easy for us to get rid of the paper. So that’s our goal” (Case C2).
			“Well, they [the franchisor] want the same thing. We all want this: to get rid of the paper. So we are all going for the same thing. So it would happen. It’s just like anything, when you develop something, you’ve got the old system, you’ve got the new, the two sort of have to join together. And then, one goes, and the other one goes into the new system. At the moment, we’ve still got the two systems running, we have to, otherwise, because the development is not quite finished yet, we could lose all the information” (Case C2).
			“It’s for us to just create bigger business and be the big, the best, and the largest testing company in the country. That’s what we are looking for really. And obviously they [the franchisor] can earn some money, we [the franchisees] can earn some bit of money as well” (Case C2)

Table 7.6.2 (Cont'd)
Anticipated Outcomes of Franchisees' Future Entrepreneurial Activities

Future Entrepreneurial Endeavour	Outcome for Franchisor	Outcome for Franchisee	Example of Raw Data
Planning to open another outlet	More income	More income and business growth	“The outcomes for my franchise outlet would be increased turnover, the franchise employing people and basically developing a team that can work together” (Case C3). “The outcomes for the head office would be a lot more turnover. Yes, the royalties and everything else. Yes, they will be happy because I’m making more money for them” (Case C3).
Planning to have a website			

7.7 Franchisees' Views on Entrepreneurship and the Franchise Concept

The status of the franchisee as an entrepreneur has been one of the most controversial issues among practitioners and academics. This section presents the opinions of the franchisees on this highly debated issue. The case study findings in the previous sections suggested that a majority of the franchisees perceived their systems to have an open culture, which fosters entrepreneurship within their outlets. Therefore, it was important to understand the entrepreneurship dimensions that they associate with their entrepreneurial orientations. As illustrated in Exhibit 15, the results demonstrate that, in addition to personality characteristics, most of the franchisees associated entrepreneurship with having new ideas and successfully implementing those ideas. While there is no agreement in the entrepreneurship literature about what precisely entrepreneurship is, these dimensions are consistent with the traits and behavioural approaches to entrepreneurship discussed in Chapter 3.

Although it was obvious from the case study findings that some of the franchisees displayed the above entrepreneurial dimensions, when franchisees were asked if they would describe themselves as entrepreneurs, the findings suggest that only two of them were comfortable with being identified as entrepreneurs (Exhibit 16). It was even more surprising that some of the franchisees that had very high entrepreneurial tendency scores (according to the GET results in Figure 7.2.1) indicated that they would not regard themselves as entrepreneurs. However, this does not imply that franchisees are not entrepreneurial. Rather, the results suggest that even though most of the franchisees displayed considerable entrepreneurial behaviours and engaged in a variety of entrepreneurial activities, they were more comfortable with being regarded as businessmen.

Exhibit 15 Franchisees' Views on Entrepreneurship and the Franchise Concept

"Entrepreneurship means creativity and actually going out and getting customers, ideas. An entrepreneur is somebody with a lot of enthusiasm, and belief in themselves. I think of people like Richard Branson ... and a few others. Anita Roddick, she was another one, wasn't she? ... They had an idea of a product and everything" (Case C1).

"Entrepreneur is someone who can produce new ideas to a problem or situation. To me, it [entrepreneurship] is new ideas to solve problems that you may have in your business or in the way you have to work your business. As I said, the example of that tester was so much paper being created, to have a little bit of diversity in the fact that, right, let us change that tester, let us go to the manufacturer, let us work with them, redesign this tester, put new software in. But for the fact that we pushed it forward means that we have changed it" (Case C2).

"Entrepreneur is somebody that has this idea and develops it and moulds it into a business, and creates a business from an idea, and expands, and makes it, and do profitable business, really. I think that's my idea of an entrepreneur. And it is not somebody that doesn't succeed. It is somebody that does succeed ... Entrepreneurship is where people are developing and looking at developing their businesses to make it successful" (Case C3).

"I think it [an entrepreneur] describes a person who has got a drive and a determination to succeed through business, possibly has ideas and thoughts that drive him forward, and is willing to further those ideas and thoughts. I guess it's a character trait which some people have and some people don't necessarily have" (Case A1).

"What is this entrepreneurism? It just means having ideas and bringing those ideas to fruition. You have to think of the idea, you have to fund the idea, and you have to then do a research on the idea. Entrepreneurism is building the business" (Case B2).

Exhibit 16 Franchisees' Views on Entrepreneurship and the Franchise Concept

"Yes, I think I would describe myself as an entrepreneur because of what we have talked about, the testing thing. So basically that was an example where I knew it had to be changed and I kept talking to them [the franchisor] about it. So it was that going back to the head office so that we have to change all these because as you grow we can't grow with you. So basically, as I said before, putting an idea like that in place and there we got a new product which is available for everyone in the country" (Case C2).

"I would describe myself personally as an entrepreneur to a degree, yes. Because I want to take the business as far as I can, and I am willing to change it and adapt it to make it successful" (Case A1).

"I would not describe myself as an entrepreneur. No, I don't think so. Not in the stricter sense of Anita Roddick and Richard Branson. I suppose we must have a bit, otherwise, we wouldn't have done it ... So, we must have to a certain extent, but not from the point of view of inventing a product, or inventing a company" (Case C1).

"No, I would not regard myself as an entrepreneur. Since I have taken this [the franchise] on, yes I want to succeed, yes I want to have a successful business ... I just don't think I am an entrepreneur. I just think I'm a businessman" (Case C3).

"I would not, no. I just see myself as I suppose a businessman running a business. But I could see other people say that I am an entrepreneur because I have developed a business and brought new ideas to this business. But myself, I would not classify myself as one. Whether that is good, or bad I do not know" (Case B1).

"I would have to say no. Others would disagree. I have a very good friend who runs a [franchise B] in Peterborough, he would disagree. He would say, yes you are. Perhaps I am, but I don't see myself as an entrepreneur" (Case B2).

The interviews concluded by obtaining franchisees' opinions on whether franchisees are generally entrepreneurs. The findings revealed three patterns in the franchisees' responses (Exhibit 17). First, franchisees B1 and B2 argued that franchisees are definitely entrepreneurs because they use their entrepreneurial skills to develop the franchisor's concept. Second, franchisees C1 and C3 stated that franchisees are entrepreneurs only to a limited extent, which is the fact that they have set up, and they run, their own businesses. Third, franchisees A1 and C2 emphasised that franchisees can be entrepreneurial but not all of them are because they have different motivations. These findings suggest that franchisees are not homogeneous.

Exhibit 17 Franchisees' Views on Entrepreneurship and the Franchise Concept

"I would say franchisees are entrepreneurs, and franchisors are not, because franchisors use other people's entrepreneurial skills to develop their own businesses. But I can understand why franchisors say that franchisees aren't necessarily, because I think, a lot of them would say, well, you could go out and have your own franchise business. So why buy into mine" (Case B1).

"The franchisor must be an entrepreneur to do what he is doing. To take the idea that he has got and to franchise it. Franchisees I think that, there is a process you go through, I'm probably an entrepreneur now because of the ideas that I bring to the table. In the early days, franchisees set about doing what they are doing and learning from others, as opposed to bringing up ideas themselves ... So, you know, I think you must be an entrepreneur to run your own business, even though you are a franchisee, and I hope that's the message you are getting from everybody ... He [the franchisor] wouldn't be where he is today without us. So we've helped him tremendously get to where we are today ... So, yes, I think that we are definitely equal entrepreneurs" (Case B2).

"I would regard a franchisee as an entrepreneur only to a limited extent, which is the fact that they have got the courage to set up and run their own business. So, you do have to have a certain amount of creativity in order to be able to do it. But not from the point of view of creating the concept of a product ... We haven't invented the product, we've taken on board the product from somebody else" (Case C1).

"I suppose in some respect they [franchisees] are entrepreneurs because they want to have a business, and grow it, and develop it, but they are looking for a framework to help them build the business. So, I think they are entrepreneurs in some degrees. They are entrepreneurs because I think they have made a decision somewhere along the line that they want the independence of working for themselves, but on the other hand, they do want some sort of framework that they can rely upon for administration, or structure, or whatever, to help them develop the business" (Case C3).

"You have to do everything yourself, new ideas, how you set things up ... You set up your business and how you want it to run, by yourself. So in that respect you have to be entrepreneurial to do that. You have to have the ideas to overcome problems ... But not all franchisees are entrepreneurs. No, because you get some guys who are just quite happy to do just a little bit of work, you know, because they have got the money. There are two kinds of people, there are people who really want to move it [the franchise] forward and then earn money out of it, and there are some other people quite happy with the little money coming, because they will be retiring in a couple of years time, or whatever, and it's something that they just take along to keep them busy. And we have a few of those out there. But then, there are a few of us who really want to move the business forward. So there's those kind of people. So you will always find we are not all the same sort of level" (Case C2).

"I think the franchisor is definitely entrepreneurial, yes definitely. There is no doubt about that. But I think franchisees can be entrepreneurial. I don't think they definitely are entrepreneurial. Not every one of them is entrepreneurial. But I think as an individual franchisee I certainly feel that I can take the business, shape the business, and stretch it as far as I want to stretch it, and make it a success. I don't have many restrictions on me. So there is nothing to stop me being entrepreneurial" (Case A1)

7.8 Chapter Summary

In summary, this chapter presented the findings from the case study interviews conducted with seven franchisees from three different franchise systems during April and May 2006. The purpose was to provide in-depth understanding of the entrepreneurial orientations within franchise systems. Table 7.8 presents a summary of the case study findings based on the propositions that were examined in the study.

Before offering some recommendations in the next chapter, it is worthwhile identifying the limitations of the findings presented in the table. The main limitation relates to the small sample size. Given the large scale and diversity of the U.K. franchise industry, the results may not be representative of the whole industry, in terms of organisational characteristics such as franchise age, industry sector, and nature of the activity. However, the aim was not to generalise but to provide detailed understanding of the issues under consideration, and an in-depth qualitative research involving multiple cases was considered essential. Therefore, the issue of representativeness was less important.

Table 7.8
Summary of the Case Study Findings

Propositions	Case Study Findings
<p><i>Propositions regarding the Effects of Organisational Culture on Entrepreneurship within Franchise Outlets:</i></p> <p>(1a) regardless of franchisees' entrepreneurial tendencies, franchisees who view their franchise systems as highly standardised would perceive their organisational cultures to be uncondusive for entrepreneurship, and are likely to have franchisors who do not support and encourage them to engage in entrepreneurial activities;</p> <p>(1b) whereas, franchisees who view their franchise systems as highly flexible would perceive their organisational cultures to be conducive for entrepreneurship, and are likely to have franchisors who support and encourage them to engage in entrepreneurial activities.</p>	<p>The results support propositions 1a and 1b. Most of the franchisees who view their franchise systems as highly flexible stated that their organisations have an open culture that fosters entrepreneurship within the franchised outlets. In particular, the following organisational antecedents appear to influence entrepreneurship within such outlets: granting franchisees autonomy in the form of operational independence and flexibility; establishing open channels of communication for information sharing among franchisees; instituting formal forums for discussion, generation, and dissemination of new ideas; having organisational values that are competition centered; and above all, having organisational and management support system for promoting entrepreneurial activity. These organisational antecedents were not observed from the findings of the franchisee who viewed his franchise system as highly standardised.</p>
<p><i>Propositions regarding the Effects of Psychological Characteristics on the Entrepreneurial Behaviours and Activities of Franchisees:</i></p> <p>(2a) regardless of the degree of standardisation within franchise systems, franchisees who have higher entrepreneurial tendencies are more likely to display entrepreneurial behaviours/ engage in entrepreneurial activities;</p> <p>(2b) whereas, franchisees who have lower entrepreneurial tendencies are less likely, or unlikely, to display entrepreneurial behaviours/ engage in entrepreneurial activities.</p>	<p>The results provide strong support for propositions 2a and 2b. Considerable entrepreneurial behaviours and activities (e.g., new business venturing, innovativeness, and proactiveness) were observed among most of the franchisees who possess higher entrepreneurial tendencies, while those who possess lower entrepreneurial tendencies were less involved, or had no involvement with entrepreneurial endeavours.</p>
<p><i>Proposition regarding the Consequences of Franchisees' Entrepreneurial Activities:</i></p> <p>(3) the outcomes of franchisees' entrepreneurial activities would create new value for their outlets and the entire system.</p>	<p>The results provide strong support for proposition 3. The outcomes of franchisees' past and current entrepreneurial activities for their outlets as well as their franchisors included the generation of more income, new businesses (customers), new knowledge, and business growth. Also, the anticipated outcomes of the franchisees' future entrepreneurial activities were basically the same as the current outcomes.</p>

PART V: CONCLUSION

Chapter 8

Discussion and Conclusion

8.1 Introduction

The purpose of this concluding chapter is to summarise and discuss the main findings of the thesis in relation to the research questions that guided the study. The chapter also includes the academic and practical implications of the research findings, and concludes with a presentation of the research limitations, and suggestions to direct future research.

8.2 Summary of Findings

The core interest of this study was to assess whether franchising is entrepreneurial. In order to address this issue, five main objectives were used to guide the research, as highlighted in Chapter 5. The study aimed to examine:

- (1) whether franchisors possess traits that are consistent with entrepreneurship,
- (2) whether franchisees possess traits that are consistent with entrepreneurship,
- (3) whether there are any significant differences in the entrepreneurial tendencies of franchisors and franchisees, i.e., are franchisors more or less entrepreneurial than franchisees?
- (4) whether franchisees behave entrepreneurially,
- (5) the factors that could influence entrepreneurial behaviours and activities within franchised outlets. For this purpose, three main issues were examined:

- a. the attitudes of franchisors toward entrepreneurship in their businesses and in their franchisees,
- b. the recruitment policies within franchise systems, i.e., whether franchisors seek to recruit entrepreneurial individuals as franchisees,
- c. the standardisation policies within franchise systems, i.e., whether (and how) franchisors grant franchisees the autonomy to undertake entrepreneurial activities within the franchised outlets.

To summarise the main findings of the thesis, the results will be discussed consecutively in relation to each of these objectives. Also, because the study employed a three-staged stepwise methodological approach to obtain a fuller and richer understanding of the research issues, the findings will be discussed according to the 3 stages of the research process, where applicable (starting with the results from the preliminary focus group, then those from the follow-up surveys, and finally those from the in-depth case studies).

First, the research aimed *to examine whether franchisors possess traits that are consistent with entrepreneurship*. Chapter 4 shows that the franchisor's role as an entrepreneur has been generally assumed (Falbe *et al.*, 1998; Lim and Frazer, 2004), and has not been studied explicitly in most studies. The survey results presented in Chapter 6 corroborate this pervasive assumption. They show that, in general, franchisors possess above-average entrepreneurial tendencies when assessed with the Durham University General Enterprising Tendency test. Specifically, they have a fairly high need for achievement, strong creative tendency, high propensity to take risks, strong internal locus of control, but a low need for independence. The franchisors' fairly high need for achievement suggests that they have a reasonably high drive to struggle for success and perfection (Gürol and Atsan, 2006). Their strong creative tendency implies that they have an imaginative and innovative orientation, versatility, a preference for novelty, intuition, a tendency to have ideas.

and sensitivity to opportunity (Caird, 1991). Their high propensity to take risks suggests that they have the ability to judge that a risk is worth taking when the consequences of failure do not outweigh the incentive value of success, the ability to make decisions in uncertain conditions, and the tendency to make decisions without exhaustively gathering information (Caird, 1991). Their strong internal locus of control suggests that they are proactive, self-reliant, self-determined, self-confident, and believe that achievement is due to ability and effort (Caird, 1991). Their low need for independence demonstrates that they have a facilitating nature, flexibility with decision-making, and a preference for working with, or for others, rather than managing others (Caird, 1991). However, entrepreneurs would have been expected to have a stronger desire/ need to do things in an independent way.

Following from the above, the second objective was *to examine whether franchisees possess traits that are consistent with entrepreneurship*. The survey results revealed that, in general, franchisees also have above-average entrepreneurial tendencies when assessed with the Durham University General Enterprising Tendency test. Specifically, they have a high achievement motivation, moderate creative tendency, moderate risk-taking propensity, strong internal locus of control, but a low need for independence. These findings contrast with most previous studies that have examined the entrepreneurial traits of franchisees. For example, based on a comparison of franchisees and entrepreneurs, Anderson *et al.* (1992) concluded that franchisees do not appear to be real entrepreneurs. This is because franchisees do not have the same level of supervisory ability, initiative, achievement motivation, need for security, and self-actualisation as entrepreneurs. Also, in another study by English and Hoy (1995), franchisees did not attain the required score for classification as an entrepreneur based on their survey instrument, the Mancuso questionnaire. The

difference between the findings of the current study and those of previous studies may be attributed to the nature of the survey instruments that was used to measure entrepreneurial tendencies. For example, English and Hoy (1995) noted that the Mancuso questionnaire that was employed in their study may not be appropriate given its reliance on demographic questions, as demographic data may not enhance the ability to predict entrepreneurial tendencies. For future research, they recommended the use of “a survey instrument that more effectively measured entrepreneurship on the salient dimensions of independence, autonomy, creativity and innovation” (English and Hoy, 1995: 15). This direction was followed in the present study, and the Durham University General Enterprising Tendency test was employed to measure the entrepreneurial tendencies of franchisors and franchisees. This instrument captures the following key elements of entrepreneurship: need for achievement, need for autonomy/ independence, creative tendency, calculated risk-taking and internal locus of control.

The third objective was *to examine whether there are any significant differences in the entrepreneurial tendencies of franchisors and franchisees (i.e. are franchisors more or less entrepreneurial than franchisees?)*. Chapter 4 suggests that franchisors may be expected to be more entrepreneurial than their franchisees as a wide range of entrepreneurial connotations (e.g., creator, innovator, owner, and leader) are often linked to franchisors. The results obtained from the surveys were inconsistent with this expectation as there were no statistically significant differences between the entrepreneurial tendencies of franchisors and franchisees. The entrepreneurial characteristics of the franchisors and franchisees were also compared with those of business owner-managers and managers, as documented in Cromie (2000). Based on previous research (e.g., English and Hoy, 1995), it was anticipated

that the entrepreneurial tendencies of business owner-managers and franchisors would be similar and greater than those of franchisees; while the entrepreneurial tendencies of franchisees would be greater than those of managers. The results from the surveys revealed that the general entrepreneurial tendencies of franchisors were slightly lower than those of business owner-managers. Also, the entrepreneurial tendencies of franchisees were higher than those of managers. In fact, managers had below-average on virtually all the components of their entrepreneurial tendencies. These findings confirm and extend the study by Gassenheimer *et al.* (1996), which suggest that franchisees differ from managers and display characteristics associated with entrepreneurship. The results may also explain the franchisee's decision to own rather than manage a franchise outlet (Gassenheimer *et al.*, 1996), as ownership is seen as more entrepreneurial than management, irrespective of firm size or characteristics (Verheul *et al.*, 2004).

The penultimate objective was *to examine whether franchisees behave entrepreneurially*. As recognised by Stanworth *et al.* (1996), while a number of entrepreneurship dimensions may be reflected in the franchisor's activities, the extent to which franchisees may engage in entrepreneurial activities is usually restricted by the franchisor's objectives. As a result, entrepreneurial activity by the franchisee is usually viewed as a paradox (Falbe *et al.*, 1998), and herein is the core of the debate over whether franchising is entrepreneurial. Contrary to most previous arguments, the results from the case studies show that franchisees undertook three dimensions of entrepreneurship: new business venturing, innovativeness, and proactiveness. Their new business venturing activities included the establishment of new businesses within their existing organisations. Their innovative activities comprised the introduction of new products, new services, new sources of supply, new methods of operation, and

the opening up of new markets. With regards to the proactiveness dimension, the results demonstrate that franchisees displayed high levels of competitive aggressiveness, as they strived to lead rather than follow competitors in such key business areas as the introduction of new products/ services. Another area that evolved from the data was that some of the franchisees adopted an entrepreneurial approach to their marketing activities. This included reliance on heavy use of personal networks for entrepreneurial marketing activities. In addition to franchisees' past and current entrepreneurial accomplishments, the results show that some of the franchisees were also planning to engage in more entrepreneurial activities in the future. These findings contrast with the general assumption of linking entrepreneurial roles and responsibilities exclusively with the franchisor. However, the findings from the case studies revealed that not all of the franchisees displayed entrepreneurial behaviours. Considerable entrepreneurial behaviours and activities were only observed among most of the franchisees who possess higher entrepreneurial tendencies, while those who possess lower entrepreneurial tendencies were less involved, or had no involvement with entrepreneurial endeavours. These findings suggest that entrepreneurial characteristics predispose individuals towards entrepreneurial activities, and provide strong support for the psychological characteristics school of entrepreneurship.

The final objective was *to examine the factors that could influence entrepreneurial behaviours and activities within franchised outlets*. For this purpose, three main issues were examined:

- a. the attitudes of franchisors toward entrepreneurship in their businesses and in their franchisees*

Preliminary findings from the focus group suggested that, in general, the group believed that franchisors are really seeking franchisees that would follow their system's concept. However, two factors could influence the possibility that franchisors may allow entrepreneurship among their franchisees: the phase of the life cycle of the franchise system, and sector-specific features. With regards to the former, the findings demonstrate that, relative to the more established systems, franchisors within younger systems are more likely to allow entrepreneurial behaviours among their franchisees. With regards to the sector-specific features, the findings demonstrate that franchisors in certain sectors could allow more entrepreneurial behaviour among their franchisees if they do not have a substantial transfer of demand across markets.

The above hypotheses were tested in the follow-up surveys that were conducted with franchisors and franchisees. In terms of the *franchise system's life cycle*, the results from the franchisors' survey revealed that, relative to the younger systems, a slightly higher proportion of franchisors from the more established systems allow, and provide a process for, their franchisees to undertake innovative activities. These results were also confirmed from the franchisees' survey. However, the differences between the older and younger systems were not statistically significant, suggesting that the former are not more entrepreneurial than the latter. In terms of the *sector-specific features*, the survey results suggest that franchisees within the following sectors may have greater inclinations to display entrepreneurial behaviours/engage in entrepreneurial activities: 'Estate Agents, Business Transfer Agents, Financial Services and Mortgage Brokers'. On the other hand, franchisees within the

‘Commercial Services’ sector may have less inclinations to display entrepreneurial behaviours/ engage in entrepreneurial activities.¹

- b. the recruitment policies within franchise systems, i.e., whether franchisors seek to recruit entrepreneurial individuals as franchisees*

Although a number of studies (e.g., Anderson *et al.*, 1992) have reported that franchisees do not appear to be real entrepreneurs, the survey findings show that, to a large extent, franchisors seek to recruit franchisees who possess entrepreneurial qualities. Also, almost 60 percent of the franchisors reported that they use a standard selection system (such as psychometric tests and interview techniques) during their franchisee recruitment process to identify whether or not a prospective franchisee is entrepreneurial. These results may imply that some franchisors actually view their franchisees as entrepreneurs.

- c. the standardisation policies within franchise systems, i.e., whether (and how) franchisors grant franchisees the autonomy to undertake entrepreneurial activities within the franchised outlets.*

Preliminary findings from the focus group demonstrated that, although the group believed franchisors generally seek franchisees that would follow their systems’ concept, some organisations allow their franchisees to express their creativity within a structured environment. Such organisations utilise formalised procedures for franchisees who want to undertake innovative activities.

These findings were confirmed with the results from the follow-up surveys which show that a high proportion of the franchisors (between 55 and 78 percent)

¹ Although a nonparametric estimator (an ATE) was utilised for the analysis in order to account for the small sample size, some of the sectors had fewer respondents relative to the other sectors, and this might have affected the significance tests of the sectors with lower number of respondents.

allow their franchisees to undertake innovative activities by providing a process whereby franchisees can introduce new products, new services, new methods of production/operation, new sources of supply, as well as open up new markets. These results were similar to those obtained from the franchisees, where an even higher proportion (between 68 and 92 percent) indicated that their franchisors provide processes for them to undertake innovative activities. These findings are consistent with the study conducted by Falbe *et al.* (1998) which recognised that some franchisors use a number of techniques (such as the presence at franchisor headquarters of a champion for innovation) to encourage entrepreneurial activity on the part of franchisees.

In addition, a majority of the franchisors (88 percent) reported that at least some of their franchisees' innovations have been introduced widely across their franchise systems. This finding agrees with previous literature (e.g., Cox, 2002) that franchisees can be useful sources of new ideas and innovations for product/ service development. The results also support Frazer's (2004) study which documents an example of a franchise organisation that encourages its franchisees to try new products because franchisees' knowledge of customers' needs are regarded as being superior to that of an office-bound franchisor.

Finally, the findings from the case studies provided in-depth understanding of the entrepreneurial orientations within franchise systems. The results revealed that franchise organisations with highly flexible systems have an open culture that fosters entrepreneurship among their franchisees. In particular, the following organisational antecedents appear to influence entrepreneurship within franchised outlets: granting franchisees autonomy in the form of operational independence and flexibility; establishing open channels of communication for information sharing among

franchisees; instituting formal forums for discussion, generation, and dissemination of new ideas; having organisational values that are competition centered; and above all, having organisational and management support system for promoting entrepreneurial activity.

8.3 Implications of Findings

8.3.1 Academic Implications

The research findings advance understanding of the relationship between entrepreneurship and the franchise concept, and provide theoretical and methodological contributions to the growing literature on franchising and entrepreneurship.

Theoretical Implications

The findings of this thesis provide theoretical contributions to the academic literature in three key areas. First, the study adds some clarity to a wide range of debates on paradoxes regarding the relationship between entrepreneurship and franchising. As discussed in Chapter 4, there are several puzzles in the franchise phenomenon which undermine whether franchising is indeed an entrepreneurial activity. For example, there is considerable debate amongst academics and practitioners over whether operating as a franchisee represents a ‘true’ form of entrepreneurship. Contrary to widely-held beliefs, the survey findings documented in this thesis show that franchisees possess above-average entrepreneurial tendencies, when assessed with the Durham University General Enterprising Tendency test, and there are no statistically significant differences between the entrepreneurial tendencies of franchisors and

franchisees, suggesting that franchisors are not significantly more entrepreneurial than franchisees as is commonly assumed. Franchisors also reported that, to a large extent, they seek to recruit franchisees with entrepreneurial qualities. In addition, the case study findings revealed that franchisees behave entrepreneurially by undertaking three dimensions of entrepreneurship: new business venturing, innovativeness, and proactiveness. The research findings also have significant implications for the argument that franchisors seek 'replication and conformity', and not 'innovation and creativity' from their franchisees (English and Hoy, 1995). Contrary to this assertion, the survey results show that a high proportion of franchisors (between 55 and 78 percent) allow, and provide a process for, their franchisees to undertake innovative activities. A majority of the franchisors (88 percent) also reported that at least some of their franchisees' innovations have been introduced widely across their franchise systems. These findings have certainly helped to clarify some controversial topics within the franchising and entrepreneurship literature.

Second, the research findings improve understanding of the antecedents and effects of entrepreneurial behaviour within franchised outlets. As noted by Weaven (2004), little attention has been given to the antecedents of entrepreneurship within franchise networks, and no comprehensive analysis of entrepreneurial activity within franchised units has been conducted. The findings from the present study show that franchisees' personality traits, industry sectors, and organisational values represent a set of antecedents that are associated with the entrepreneurial behaviours of franchisees. Also, the outcomes of franchisees' entrepreneurial activities include the generation of more income, new businesses (customers), new knowledge, as well as business growth. These findings have shed some light on the factors that influence the

entrepreneurial behaviours of franchisees, as well as the consequences of their entrepreneurial activities.

Third, the findings reported in this thesis advance knowledge of the role of entrepreneurship in franchising. As discussed in Chapter 1, franchising has only recently received attention in the entrepreneurship literature, and there is still limited research on the relationship between franchising and entrepreneurship in general. The results presented in this study contribute to a better understanding of entrepreneurship within franchise systems.

Methodological Implications

Methodologically, the research has demonstrated both the usefulness and complexity of designing and implementing a multi-staged research approach, i.e., the contextual stepwise approach proposed by Siu and Kirby (1999), and Kirby (2007). To the researcher's knowledge, this is the first study to apply this methodological procedure to the research issues under investigation. Most previous studies on the relationship between franchising and entrepreneurship have employed theoretical, exploratory, and secondary research veins (See, for example, Kaufmann and Dant, 1999). By employing a three-staged approach, it was possible to explore the research issues through a preliminary focus group, identify the substantive context through questionnaire surveys, and finally, provide in-depth knowledge and understanding through case studies. Hence, each step or stage of the research process built upon the previous one in order to make an incremental contribution to the knowledge base.

Furthermore, to the researcher's knowledge, no research has provided empirical evidence on the relationship between franchising and entrepreneurship by considering the multidimensional approaches utilised in this study, i.e., integrating the

traits of franchisors and franchisees with their actions and operations in order to investigate whether they act entrepreneurially. With the exception of a few theoretical studies (e.g., Kaufmann and Dant, 1999), most empirical studies have either focused solely on the franchisees' traits (e.g., English and Hoy, 1995), or only on their activities (e.g., Weaven, 2004). Since there is no universally accepted definition of entrepreneurship, this study distinguished between the two main approaches to the study of entrepreneurship, the traits and the behavioural, and the findings show the applicability of both approaches to the franchise context.

8.3.2 Practical Implications

The research findings contribute significantly to a better understanding of entrepreneurship within franchised outlets and should be of significance to most franchise systems whether potential, emerging, or existing. Earlier research conducted by the researcher at the 2004 National Franchise Exhibition in Birmingham, U.K., suggested that some franchisors seek to nurture an entrepreneurial climate within their systems, while others do not. Therefore, the practical contributions identified in this section are discussed for two main scenarios: franchisors that aim to foster an entrepreneurial climate within their systems, and those that do not.

Franchisors that Aim to Foster an Entrepreneurial Climate within their Systems

Franchisors whose interests lie in developing a climate that encourages entrepreneurial behaviours within their businesses could utilise the results of the study to identify mechanisms that would increase their adaptability to local markets, increase chain-wide innovation, and eventually improve the performance of their franchised outlets as well as the entire system. One such mechanism is related to the

organisational culture within franchise systems. The case study findings presented in Chapter 7 revealed some organisational antecedents that influence entrepreneurship within franchised outlets. These include granting franchisees autonomy in the form of operational independence and flexibility; establishing open channels of communication for information sharing among franchisees; instituting formal forums for discussion, generation, and dissemination of new ideas; having organisational values that are competition centered; and above all, having an organisational and management support system for promoting entrepreneurial activity. Therefore, franchisors who seek to foster an entrepreneurial climate within their outlets could implement the above organisational characteristics and values for their franchise systems. In addition, franchisors should communicate these organisational values effectively to their franchisees in order to ensure that they understand the culture of their organisations. This is particularly important as the case study findings presented in Chapter 7 suggested that not all franchisees understood the culture of their organisations with regards to entrepreneurship. Franchisees within the same system had conflicting views about their organisational climate, and these seem to influence the extent to which they engage in entrepreneurship.

Another important mechanism for fostering entrepreneurship is related to the recruitment and selection process of franchisees. Franchisors should recognise and understand the importance of having the right set of franchisees in order to sustain a competitive entrepreneurial organisational culture. The survey findings indicated that certain entrepreneurial characteristics predispose franchisees towards entrepreneurial activities. These findings were also confirmed in the case studies which revealed that considerable entrepreneurial behaviours and activities were observed among the franchisees who possess higher entrepreneurial tendencies, while those who possess

lower entrepreneurial tendencies were less involved, or had no involvement with entrepreneurial endeavours. However, the findings from the case studies suggested that not all franchisors choose the right types of franchisees that they set out to recruit during the franchisee selection process. Some of the franchisors that indicated that they seek to recruit franchisees with high entrepreneurial tendencies actually have franchisees who possess low entrepreneurial tendencies. As such, the findings have important implications for the recruitment policies and processes within franchise organisations. Organisations that are more concerned about fostering entrepreneurship within their outlets should ensure that adequate measures and psychometric tests are used to select entrepreneurial individuals from the pool of prospective franchisees.

In addition, entrepreneurship training programmes could be organised to foster any specific entrepreneurship traits that may be lacking in franchisees. Previous studies have shown that the skills, attributes, and behaviours characteristic of the enterprising, or entrepreneurial, person can be developed in individuals (Kirby, 2004; Gürol and Atsan, 2006). Based on this premise, franchisors can further explore the development of entrepreneurial talents amongst their franchisees, and provide the opportunities for an entrepreneurial climate to emerge.

The research findings also have clear implications for the management of entrepreneurship within franchised outlets. As demonstrated in the case study findings, most franchisors utilise formal mechanisms, in the form of franchisee forums, for setting up new ideas. The franchisees within a particular system also indicated that a franchise coordinator was specifically employed by their franchisor to facilitate their franchisee forum. Although excessive levels of control may constrain a franchisee's desire for independence, autonomy, and self-fulfilment, as recognised by Weaven (2004), the use of formal control mechanisms to monitor franchisees'

entrepreneurial activities may help to protect the integrity of the system's brand. Kuratko *et al.* (1993) stressed the importance of control and evaluation for intrapreneurship, and Kanter (1989) also regarded formal controls as essential for corporate entrepreneurship projects selection.

The findings documented in this thesis are not only relevant to franchisors who seek to cultivate an entrepreneurial climate within their systems, but also have significant implications for their franchisees. Franchisees could utilise the results of the study to identify how to take advantage of local market situations in order to create opportunities for innovative behaviour, entrepreneurial activity, and eventually entrepreneurial profit. The identification of an opportunity has been recognised as essential to the process of entrepreneurship (Kirzner, 1979; Shaw, 2004), and it has received considerable attention within the entrepreneurship literature (Ozgen and Baron, 2006). Analysis of the data collected from the cases revealed that franchisees were actively involved in identifying and exploiting opportunities in the form of unmet market needs, or gaps in the provision of services, and the outcomes of such entrepreneurial behaviours created new value for their outlets.

Franchisors that do not Aim to Foster an Entrepreneurial Climate within their Systems

Some franchisors may be more concerned with maintaining a strictly standardised franchise format.² As such, they may want to avoid the nurturing of an entrepreneurial climate within their franchised outlets. For these latter types of franchisors, the findings from the present study may enable them to identify different conditions that could be introduced into their systems in order to restrain franchisees from

² For example, the focus group findings demonstrated that franchisors within certain industry sectors, e.g., the fast food sector, may not want their franchisees to do different things because there is a substantial transfer of demand within this sector.

undertaking entrepreneurial activities within their outlets. The majority of the mechanisms that may be utilised could be deduced from those discussed in the preceding sub-section. Essentially, they should be inferred as the direct opposite of the mechanisms presented above. For example, adequate measures should be employed to avoid the selection of highly entrepreneurial franchisees during the recruitment process of franchisees. Also, organisational antecedents that influence entrepreneurship within franchised outlets, such as the establishment of formal forums for the generation of new ideas should be avoided.

However, in a world that is changing extremely rapidly, and innovation is one of the ways of achieving sustained competitive advantage, this group of franchisors may want to question whether the adoption of a non-entrepreneurial culture is appropriate. This situation was illustrated during the focus group session with the example of McDonalds in Finland.

8.4 Limitations and Future Research Directions

Although the methodological approach in this study was applied rigorously so as to minimise the research error, the limitations of primary concern are those arising from each stage of the methodological procedure. With regards to stage one, i.e., the preliminary focus group, the initial research design was to conduct three focus groups, where group one would consist of academic experts in the field of franchising and entrepreneurship, group two would comprise franchisors, and group three would consist of franchisees. The plan was to test the focus group data for reliability by comparing the responses from these three groups. Unfortunately, it was only possible to conduct the academic experts' focus group, as all efforts made to organise focus

groups for the franchise practitioners were unsuccessful. Therefore, it was impossible to test the reliability of the findings obtained from the academic experts with those from franchise practitioners. It is anticipated that the results obtained from this study will encourage future researchers to pursue this research direction. For future research purposes, participants for the franchisors' focus group could be selected based on three diverse characteristics: *industry sector*, *age of the franchise organisation*, and *number of franchised outlets*; and those for the franchisees' focus group could be selected based on: *industry sector*, *length of affiliation with the franchise organisation*, and *type of contract*. A review of the literature (e.g., English and Hoy, 1995; Weaven, 2004) shows that these are the types of key features that can capture the different levels of experience and knowledge required for the issues under investigation.

Another limitation of this research pertains to the second stage of the methodological procedure. As might be expected, there are usually concerns associated with the use of non-random samples and small sample sizes. Despite several efforts to have high response rates, the survey conducted in this study involved limited samples of franchisors and franchisees within the U.K. environment. As such, clear boundaries for generalisations from this research pertain to the setting, nature, and make-up of the respondents. For this reason, the generalisability of the results in terms of firm size, franchise age, and industry sectors should be considered with some caution. For example, although nonparametric tests and estimators were utilised for the study to account for the small samples sizes, some of the sectors had fewer respondents relative to the other sectors, and this might have affected the significance tests of the sectors with lower number of respondents. Nevertheless, the results lead to opportunities for further research. Future studies could embark on a

larger-scale quantitative analysis of the role of entrepreneurship in franchising. In addition to this, other measures of assessing the entrepreneurial personalities of franchisors and franchisees could be considered in order to compare the findings with those reported in this thesis, which were based on the Durham University General Enterprising Tendency test.

Finally, the third stage of the methodological approach was specifically designed for case study interviews with franchisees in order to have an in-depth understanding of their entrepreneurial orientations. Research will probably benefit from in-depth case studies and qualitative techniques, which could address similar issues from the franchisor's perspective. Such issues could include in-depth investigations of the standardisation and recruitment policies within franchise organisations. The importance of these topic areas for additional inquiry are reflected in the survey and case study findings which revealed that not all franchisors choose the right types of franchisees that they set out to recruit during the franchisee selection process. In addition, it appears that not all franchisees understand the culture of their organisations with regards to entrepreneurship.

The findings from this thesis have also raised some important questions, which were not anticipated at the beginning of the research. As a result, it was impossible to address such questions in this study. One of the issues which arose from the case study findings is that franchisees believed they were helping to develop the franchisor's business concept substantially through their entrepreneurial activities. For example, one of the franchisees indicated that the franchisees within his organisation had collectively engaged in a major technological innovation, which involved the development of new equipment for their operations (a new tester and a new computer operating system). According to this franchisee, the key motivating factor to develop

the new testing equipment was because the initial process of operations was inefficient. Hence, the issue arising from this finding is that, if franchisees are applying so much effort to develop the franchisor's concept, some of them may decide to quit their current organisations in order to utilise their entrepreneurial ideas to start up their own systems.³ It would be of interest to know whether franchisors have any mechanisms to prevent franchisees from doing so. Also, considering the efforts of some of the franchisees in developing the franchisor's concept, it would be worthwhile to know how franchisees perceive the usefulness of the franchisor, and why they still remain in the system.

Another interesting issue that arose from the research findings is the effect of operational manuals on franchisees' entrepreneurial activities. The survey results reported in Chapter 6 indicated that, contrary to franchisors' expectations, franchisees seem to enjoy more flexibility at the operational level. These results were also supported by the case study findings which revealed that franchisees enjoyed considerable independence in the day-to-day running of their businesses. It may be worthwhile to explore whether the operational manuals incorporate entrepreneurial issues, and also whether franchisees have to conform to the operational manuals while undertaking entrepreneurial activities, or they are just given a free rein to do whatever they want to do.

The results presented in this thesis contribute to a growing body of research that could expand in any number of significant directions. Clearly, research on the relationship between franchising and entrepreneurship is emerging as an exciting area

³ For example, Watson and Stanworth (2005) reported that there are many franchisees who have gone on to develop their own business concepts (e.g., the franchisors of Snappy Snaps and Pirtek were both formerly franchisees for different systems), and Frazer (2004) also reported cases where individuals have become franchisees with the intention of leaving later on to establish their own business once they have acquired the business know-how from the franchisor

of scholarly inquiry. It is anticipated that this study will encourage additional research to further contribute to this area of study.

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APPENDICES

Appendix A1

Profile of the Focus Group Participants

Participants	Position/ Organisation	Expertise Area
1	Associate Professor of Marketing, U.S.	Franchising strategy, Franchisee motivations, Ownership structure, Conflict resolution
2	Professor and Dean, Department of Marketing, Australia	Franchisor/ franchisee relationship, Franchise fees, Australian franchising
3	Professor of Marketing, U.S.	International franchising, Multi-unit franchising, Ownership structure, Site selection
4	International Centre for Promotion of Enterprise, Slovenia	Entrepreneurship development and Franchising, Regional development, Human resource management and Organisational behaviour
5	Lecturer in Retailing, U.K.	Franchising, E-strategies in the retail sector, Retail environmental policies
6	Lecturer in Entrepreneurship, Finland	Franchising, Entrepreneurial personality and behaviour, Marketing research
7	Researcher, Ph.D. Candidate, Finland	Franchising, Entrepreneurship, Education
8	Ph.D. Student, France	Innovation in franchising, Innovation management, Plural form networks, Organisational climate

Appendix A2

Interview Guide for the Focus Group

Broad Questions

1. What do you understand entrepreneurship to be? In other words, ‘who is an entrepreneur’ and ‘what is entrepreneurship’? *(This question aimed to explore the definition(s) of entrepreneurship that would be utilised by participants for demonstrating whether franchising is entrepreneurial).*
2. Is franchising a ‘real’ form of entrepreneurship? *(This question aimed to explore whether the different views on what constitute entrepreneurship are applicable to the franchise context).*

Specific Questions

3. Would you regard franchisees as ‘true’ entrepreneurs? *(This question aimed to explore whether franchisees behave entrepreneurially).*
 - If yes, why? *(preplanned probe question).*
 - If no, why not? *(preplanned probe question).*
4. What sort of people do franchisors seek to recruit as franchisees? *(This question aimed to explore whether franchisors seek to recruit entrepreneurial individuals as franchisees).*
 - Do franchisors seek to recruit entrepreneurial individuals as franchisees? *(preplanned probe question).*
 - Do franchisors use psychometric tests, or interviews, to determine franchisees’ entrepreneurial tendencies? *(preplanned probe question).*
5. Does the franchisor’s organisation culture encourage entrepreneurship within the franchised outlets? *(This question aimed to explore whether the culture of the franchise organisation supports and encourages entrepreneurial behaviours and activities within the franchised outlets).*
6. In what aspects of the franchised business are franchisors likely to grant franchisees the autonomy to undertake entrepreneurial activities within their outlets? *(This question aimed to explore whether (and how) franchisors grant franchisees the autonomy to undertake entrepreneurial activities within the franchised outlets).*
 - Do franchisors generally encourage their franchisees to engage in innovative activities? *(preplanned probe question).*
7. In general, what are the attitudes of franchisors towards entrepreneurship in their businesses and in their franchisees? *(This question aimed to explore the thoughts of franchisors towards entrepreneurship within their systems, as well as the factors that influence franchisors’ attitudes towards entrepreneurship).*
 - Do franchisors generally have a positive/ negative attitude towards entrepreneurship? *(preplanned probe question).*
 - What factors determine whether franchisors would have a positive/ negative attitude towards entrepreneurship? *(preplanned probe question).*

Appendix A3

Transcript of the Focus Group

Researcher: What do you understand entrepreneurship to be?

Participant 1: I know that entrepreneurship is difficult to define because each entrepreneur has his, or her own track record. I mean there are many different ways to get there. I suppose it is a business activity that some person gets up and starts working on. One of the things I noticed in your presentation, you kept going back from franchisor to franchisee. And I think whether they have entrepreneurship activities, or not, depends on whether you are talking about the franchisor, or franchisee. Because they definitely see franchisors as being entrepreneurs, because it is their idea. But I'm not sure they recruit franchisees on entrepreneurship promise. I think that's, eh, misleading kind of, em, option, because they really are looking for conformity and uniformity, and things like that. They get ideas from franchisees, you know, all the fast food restaurants are good examples. But, contrary to whatever franchisors might say, I don't think they really let them be the entrepreneurs that they promise to be at the beginning. But, certainly, franchisors I believe are entrepreneurs.

Researcher: We will definitely be moving on to that debate very soon. But in the meantime, could we just clarify what we mean by entrepreneurship. So that later on we can relate franchisors and franchisees to the definition. Could we clarify and provide a working definition of entrepreneurship?

Participant 2: Not an entrepreneur, entrepreneurship?

Researcher: An entrepreneur and entrepreneurship. I would just like to point out that my study is looking at both perspectives, from the franchisor's and the franchisee's perspectives. But the first question is a clarification of who is an entrepreneur and what is entrepreneurship?

Participant 2: I would say it is someone who recognises an opportunity, a business opportunity. But the characteristics of an entrepreneur are a bundle of things, and they differ with different people.

Participant 3: It certainly goes beyond just working for yourself. I think a point of confusion a lot of time is that just anybody that works for himself is an entrepreneur, and I don't believe that. I think it is more than that, you know. It has to do with something like, you said, recognising an opportunity, or some kind of innovation, creativity.

Participant 2: or taking risks.

Participant 4: The importance, I think, is taking risks. I don't know if in your presentation you mentioned this factor. And then, also, franchisees can be looked upon, maybe, differently if you take this into consideration, financial risks.

Participant 3: So, he puts in something. Well, I suppose he puts something in risk when you are self employed, automatically, right? But yeah, I think that's part of it. But Schumpeter puts in this idea of, em, what did he say, it was something like kind of, em. He had some way of characterising this idea of innovation, finding a new way of organising, or something like that.

Participant 1: Constructive destruction?

Participant 3: Yeah, I can't remember exactly what. But that's creativity, or whatever that is.

Participant 2: They are usually very charismatic people with, em, engaging personalities, true, if we get good characteristics of them. So there are probably stereotypes?

Participant 1: One of the things, entrepreneurs, I think have is a lot of drive, autonomy, you know, they have tried for their ideas, and they sort of, they want to take ownership of that, and em, combine that with some creativity, not necessarily charismatic. But they are certainly very possessive of.

Participant 2: their enormous energy.

Participant 1: Yeah.

Participant 6: I think it is not enough to concentrate on those traits because, em, other professionals also possess those traits, they may be risk-taking, they may be innovative, and they have high need for achievements. So we need to look forward about the actions of what this person does. I would say it is even beyond starting a new organisation.

Participant 3: If McDonald's is out there doing their thing, and you came along and started up Burger King, to me you are an entrepreneur, ok. Because even though you are copying somebody, it is a different business, you know, and you are going to be in competition with the person you are copying.

Participant 1: Let me suggest a different way, because we are talking about her dissertation here. Eh, have we agreed that all franchisors are entrepreneurs?

Researcher: So could we just provide a working definition of an entrepreneur, and entrepreneurship? From what I've heard so far, you have defined an entrepreneur in terms of

their traits: creativity, innovation, risk-taking. [Participant 6] has also mentioned that we should look at the traits and actions of these people in trying to define them.

Participant 3: Well, em, can I just come back to, you can be self-employed certainly without being an entrepreneur, right? I mean by being self-employed, you are not an entrepreneur, necessarily? Can you be an entrepreneur if you are employed by somebody else?

Participant 2: Yes, I'm just thinking about my Dean as entrepreneurial.

Participant 5: Entrepreneurship is entrepreneurial activities within the confines of an organisation.

Participant 1: We have lots of definition about entrepreneurship and it seems that some people in the entrepreneurship field want to curb everything as entrepreneurship. I think we have to sort of draw a line. So I would disagree, for instance, that you think your Dean is entrepreneurial. He may be innovative but.

Participant 3: He may be entrepreneurial, but not just an entrepreneur.

Participant 4: It is certainly an entrepreneur who established our College. Definitely he started it. It is a private College as Babson College was started. Maybe he also copied them. But he was pushed away because other people took over.

Participant 3: That is interesting. Is he an entrepreneur because he was an entrepreneur in a former business? Is it a sort of label that you get? If you are an entrepreneur and you started a whole bunch of businesses, and now you go away and do something else, are you an entrepreneur anymore? Or is just what you are doing defines whether you are an entrepreneur? That is a question.

Participant 1: I think at any particular point in time, you have to sort of have to say whether this person is an entrepreneur, or not.

Participant 3: Because of what they are doing right now.

Participant 1: Yeah, at any particular point in time. So your founder of a College at one point in time this person was an entrepreneur, right?

Researcher: Can we move on to the next question please? Is franchising a 'real' form of entrepreneurship? You can approach it from any angle: from the franchisor's perspective, or from the franchisee's perspective. But the main question is: Is franchising a 'real' form of entrepreneurship?

Participant 7: What is a 'real' form? But is it not a question about what is 'real'?

Participant 4: But I think that [Participant 1] already started this.

Researcher: Yes, he has already started it in terms of looking at it from.

Participant 1: the franchisor's perspective. But I don't know if the group thinks that not all franchisors are automatically entrepreneurs because there are lots of copy cat franchisors. I would be hesitant in calling them, em.

Participant 3: Well, I mean what I was saying before about Burger King came along here. But does that mean if you started Burger King, you won't be an entrepreneur?

Participant 1: I won't say that, but em, there are lots of small little franchisors who sort of come in. I mean, like, I don't know if you've seen the movie, Coming to America, an Eddie Murphy movie. And there is this McDonald's guy who sort of copies the golden arches of McDonalds, ok, would you call this guy an entrepreneur? He started something of his own.

Participant 3: Yeah, well, I mean because he is not a franchisee first of all, right? He is an independent business person.

Participant 7: But what if, eh, there is a franchise system, it starts small, and eh, at some point, the owner of the franchise sells it to somebody else, and then, this person grows it, and he adds something to it. And so, isn't he an entrepreneur?

Participant 3: I think what [Participant 7] is asking is even more problematic. Is somebody that takes over an existing business, and then, expands it. It will depend on whether they fundamentally change the business. They could just grow it by doing what the guy did before, or something.

Participant 1: And a lot of mimicking businesses are like that, right?

Participant 4: If we look at the originality, then, how much of originality is really in, em, in each entrepreneurial activity. What is that which is original? I mean, em, all these burgers, burgers, there is not only one burger. There are hundreds of burgers. But they are supposed to be entrepreneurs, em, and they are called entrepreneurs.

Participant 1: So that is almost some aspect of definition of self-employed business person, right?

Participant 3: It goes beyond that because I think you related to earlier to whether you are hiring people, or not. That may be part of it too, you know, that you are self-employed if you are just doing it yourself. But once you start hiring other people then you are actually creating something different too.

Participant 6: Actually, to be entrepreneurial, you need to be growth orientated and profit orientated.

Participant 1: So you are laying that over the innovative aspect?

Participant 6: Yes, yes.

Participant 5: What about social entrepreneurs?

Participant 3: Yeah, I was going to say that I think the profit thing is too restrictive. Social entrepreneurship I would characterise as true entrepreneurship. I mean, creating, em, em, a

cancer organisation to care for cancer patients, or something, you know, may be not profit involved. I don't think that makes them less entrepreneurial.

Participant 1: You have to recognise that the literature on entrepreneurship has not come to the resolution of what is an entrepreneur.

Participant 4: But it is very important for the EU now, you know. I wrote a paper a long time ago, why franchising is an entrepreneurial activity. And I got even an award at this EU meeting for that, defending this. They called me last year from the em, em, from the Commission Directorate for Enterprises. And they said, what do you need to write pages on why we should finance the start-ups, or development of franchise systems as entrepreneurial ventures?

Participant 3: I, for one, will say, franchisors by and large, not perhaps all, but, by and large, franchisors are entrepreneurs. Well, 'founding' franchisors are entrepreneurs. But I'm getting less and less convinced that franchisees are entrepreneurs.

Researcher: That moves us to the next perspective. Could you please discuss whether franchisees are 'true' entrepreneurs?

Participant 1: But I'm told that the original contract of McDonalds only specify 3, or 4 items. Em, there is the fries, there was shake, and there was hamburger. And that was the original menu of McDonalds. And everything else that has come in, has come in through inputs from franchisees. Now I don't know whether we are going to extend the definition of franchisees to somebody who just uses new ideas. Em, eh, because this person must be a doer of things.

Participant 3: And that will make, em, if you start a new course in your school you are an entrepreneur? I can't buy that.

Participant 2: They have the ideas from the customers anyway. I don't think an entrepreneur will want to be a franchisee.

Participant 4: You have to go back to the recruitment of franchisees. I think this might be one aspect of studying this. What kind of candidates different companies recruit? If this is, em, franchise for 5,000 U.S. dollars initial franchise fee, this definitely is a different case, they may take anybody they don't know. Like John mentioned during your presentation, he made so many researches in this, I think he is almost convinced that they don't have a clear perception. But if you go back to McDonalds, they recruit all kinds of people, those with previous business experience, entrepreneurs who are fed up with the struggle to their sort of, let us say, low profitability. All kinds of very professional people, they have.

Participant 3: But you know what, I don't think, em, just going back a few years, because I did some work with McDonalds years ago. I don't think McDonalds want entrepreneurs. I

really don't. They might want failed entrepreneurs who have decided they don't want to be entrepreneurs anymore.

Participant 2: in which case, they are not entrepreneurs!

Participant 3: Exactly, exactly, so they have decided they want the protection.

Participant 5: In the U.K., I was speaking to a franchise manager, and he said quite specifically we do not want entrepreneurs. We want people that can be enterprising. But again, he wants ideas, he wants people that are driven, but not true entrepreneurs.

Participant 1: It is a kind of definition, ideas and so on. I don't think in the U.S. a lot of franchise systems have come up with that candid understanding of what it is that they are looking for.

Participant 4: If you have 2,000 franchise units, definitely, you will probably look into standardisation, if the market is relatively homogeneous. But now, I think we have to relate this to the environment. I mentioned yesterday, I don't know if you heard that, out of my research, I got out the difference between 7 years ago when I did my research. I compared, em, what were the most preferred, em, em, I won't say traits really, but, em, backgrounds of franchisees. I didn't structure it at all. But then, I classified it later when they responded. The first one years ago was 'following the franchise manual', and then, 'innovation' came on the second. But this is not American environment. This is an environment where entrepreneurship is not yet appreciated, and lot of bureaucratic constraints. This was also more for Europe than from the States, maybe? And last year when I repeated the same research, 'creativity' and 'innovation' came on place one. Why? Because, so many, 50 percent of what we had in 2000 is either taken over, or exited, or doesn't exist anymore. We have a very turbulent economic environment. So also the units franchises are expected to act differently as in, em, relatively stable markets where all parameters are relatively normally given. So I think for India, this will even be more true now, what is happening now in Indian franchising. So it is difficult to define this for all environments, I think.

Participant 3: They should be careful with what they wish for. You know, if you wish for entrepreneurial franchisees you may be surprised with what you get, you know.

Participant 4: It is a contradiction that maybe it leads to faster growth.

Participant 1: The whole idea of operating manuals goes on intuitively to the notion of franchisee, I mean entrepreneurs, right? Because the whole operating manual is supposed to standardise the procedures, and all that. And we know that entrepreneurs are supposed to be independent minded. They value their autonomy, their own way of thinking, and so on, which is why the McDonalds guy in the U.K. said they do not want entrepreneurship.

Participant 5: This just comes back to the country stage of business because in the U.K., a guy that started up his franchise, he does not have an operations manual as we know it. You

know, it is 3 pages written at the back of an old envelope, and in a sense, he may want entrepreneurial individuals in the beginning to help him develop the business.

Participant 1: But then, he himself will not be that much of an entrepreneur if he wants those business partners. Because, as we know, entrepreneurs are very autonomous entities, they will want to do their own thing.

Participant 4: This is again the difference between the States and Europe. Here in Britain when I did my research with John in '96, I deliberately abolished, em, em, working on this. I wanted to speak to the franchisors. Many of them started more as cooperatives than real franchise systems because they didn't have means, funds.

Participant 1: You are talking about funding issues, right?

Participant 6: I'm questioning whether the franchisor knows whether the prospective franchisee is entrepreneurial, or not; how to test this feature?

Participant 1: It is only more established systems, which may do things like testing, or something, selection criteria, and things like that.

Participant 6: And also the phase of the life cycle where the franchise system is. It may face more competition, and the em, recruitment criteria are dynamic. They may need entrepreneurial guys later when there is, em, intense competition, and they may be losing market share, or something. So, this is the situation in Finland with McDonalds. They have closed down about 10 outlets because there is so intense competition. And the em, em, CEO of McDonalds in Finland said that he had wrong kinds of franchisees at the moment.

Participant 3: Entrepreneurs are people with initiative, I mean, you know.

Participant 1: Hard workers.

Participant 4: Hard workers with initiative.

Participant 3: Yeah, yeah. Because it seems to me that you don't want people who just invest money. Em, em, McDonalds doesn't just want people who invest money, even as they state, and that's terrible. But, but, em, the idea of this kind of initiative, or drive, or cleverness, about how they work with the local market, sometimes that doesn't seem to me that it is the same thing as entrepreneurship.

Participant 4: This is different, there is difference.

Researcher: Thank you. Can we move to the next question please? What aspects of the franchisor's organisation culture are likely to encourage, or discourage, entrepreneurial behaviours within the franchised outlets? By 'culture' I mean the values and standards that franchisors have with respect to entrepreneurship.

Participant 8: Maybe they respect uniformity. So, the franchisor maybe protect the concept. It depends on the chain. Some chains may allow franchisees to be innovative. Some franchisors keep the concept.

Researcher: Are you trying to say that it all depends on the organisation, some may want to protect their trade names, and some may not really want to? Do we all agree?

Participant 4: Yes.

Participant 3: I don't agree with that. I don't think that everybody does not want to protect their trade names. It is just how they do it. Because everybody wants to protect their trade names.

Participant 4: Maybe sector specific, em, maybe sector specifics might be taken into account.

Participant 1: But, you know, all sectors, I think everybody wants to preserve their brand names.

Participant 4: That's correct. But, em, not for this specific thing, em, em, but for other characteristics. It will not be the same if you are in hospitality, or I mean.

Participant 3: One feature, yeah, one feature I think is sector specific is, it seems to me that you could allow a lot more entrepreneurial behaviour among your franchisees, and I would put in parentheses here 'adaptive behaviour' to the market, you can allow a lot more of that if you don't have a lot of transfer of demand across markets. In other words, if I'm a tour rental franchisor, I think I can allow my franchisees to be very entrepreneurial, very adaptive to their local markets. Because, you probably don't have a lot of people going from this tour rental place to another tour rental place. Whereas, something like McDonalds, or any kind of fast food, where you are actually getting a lot of transfer, that is when you don't want them doing a lot of different things.

Researcher: So, is it that most franchisors have specific standardisation policies regarding entrepreneurship?

Participant 1: Regarding entrepreneurship?

Researcher: Yes, in their businesses.

Participant 1: Business format franchising, in general, by definition looks for uniformity.

Participant 4: But still they have to adjust. And the real feedback, they get from franchisees if they operate basically franchises. If they have mixed, em, em, company units, then it is not the same thing, that is very important. And John's paper for which he got an award in '96,

innovative, creativity, and all that, I think it is a very good, em, em, introduction into that, when, and why one has to permanently look for innovation. If you only think that your R&D department would do it, you are then terribly wrong.

Participant 3: But do you equate adaptation to local markets with entrepreneurship?

Researcher: From my knowledge, adaptation is just a characteristic of entrepreneurship.

Participant 3: See, because, I mean that seems to me to be the issue, there, because, eh, what we've been talking about is sort of how much do franchisors allow the franchisees to adapt to local market conditions to kind of find out what is best for them in their markets. That seems to me to be a little bit different than saying how much do they want them to be entrepreneurial. I don't know if it is different.

Participant 4: But if it is the competitive edge that they are looking for, I mean, it will be very difficult in, I would say, day-to-day adaptation.

Participant 3: When I say adaptation, I mean maximising in my own market, which may move me away from the maximisation across all markets.

Participant 1: So, classic examples of where franchisees are given leeway are through advertising, local advertising expenditures, right? So, local franchisees are typically allowed some amount of money from the franchisor for local advertising. So, if you are in a University town they may do couponing. But I am not sure if all that, like [Participant 3] was saying, I don't know if that is entrepreneurial, or just adaptation to local markets.

Researcher: Thanks again, you have taken us to the next question, which is: In what aspects of the franchised business are franchisors likely to grant franchisees the freedom, or autonomy, to undertake entrepreneurial activities within their outlets?

Participant 1: See, again you are saying entrepreneurial, the word entrepreneurial.

Researcher: Or I could also say innovative activities.

Participant 1: Or adaptive activities, are you comfortable with the word 'adaptive'?

Participant 2: I don't think that is innovative.

Participant 1: No, it is not, that is what I'm saying.

Researcher: Specifically, you could discuss the issue within the framework of entrepreneurial activities, or innovative activities.

Participant 2: Not adaptive?

Participant 1: See, I would say local advertising is much more of an adaptive behaviour.

Participant 2: That is something they are required to do.

Participant 4: If they want to do something entrepreneurial in order to do advertising they have to get consent from the franchisor.

Researcher: So in what sort of aspects?

Participant 2: I do think of one franchise system that I've been doing my research with that might sort of apply here. Where the franchisor, when she has found that she has had a franchisee who is that while a little bit innovative, and perhaps, a little bit hard to control, instead of putting handcuffs on them and making them follow the manual, gives them opportunities to do something more challenging. So, make them in charge of doing research on whether they should introduce this extra product into the franchise, or ask them to try out new franchisees, or show some recognition for that flair that they've got, or uses up that energy that the franchisee has got, than otherwise turn them into a dysfunctional franchisee.

Participant 3: Some systems formalise that kind of thing. I know, em, a time when I was working, I know McDonalds had a formal system where you apply for a, eh, to be like a test market, or something. If you came up with some idea, then, there was a system where you apply to, and you said I have this idea and I wanted the trade to be this size, instead of that size, and then, they approve this and you became like the test side, you know, even if you are already doing it you certainly ask for permission to continue it.

Participant 4: But compensation for this new idea is a very important question because very often they won't allow it.

Participant 3: But the people that are doing it are doing it because they think it is better for their businesses. But they would sit down and say, ok, I have this trading that I'm doing, a what do you call it? Take-out window is too small, bare and big, or too, and I want to put an extra thing in it, and I've got a supplier, and I'm making up, can I do it? And McDonalds would come back and say ok, you are the test-side. You let us know in 6 months whether it works, and then, they don't get marked off their thing. I think they have compensated for it. Except for the fact that there is a social norm within a lot of all these systems, where if you bring home one of these things, and they really are a big hit, then, you become like this franchisee hero. You know, like everybody knows who invented the em, em, the what do you call it, Egg Big Muffin, and all that, the Big Mac. All the franchisees know who did that.

Participant 2: Is that a bad thing?

Participant 3: No, it is a great thing. They become like a big hero.

Participant 2: That allows them to express their creativity in a structured environment. So, I think that is a solution to what Lola is asking.

Participant 3: Yeah, like having a system for doing it, I think.

Participant 1: Yeah, again, you see it is not entrepreneurship because you need provision to do that.

Participant 2: It looks like we are pretty much in agreement that franchisees aren't?

Participant 1: But, see, look, the moment that you need permission to do it within the structure of the organisation, I mean, I think it is not entrepreneurial.

Participant 4: No.

Participant 2: No.

Researcher: I know you have done a lot of work on innovation in your research. Did you find out that the franchisors in some systems gave some of their franchisees the freedom to undertake innovative activities?

Participant 8: To my knowledge, franchisors allow franchisees to bring in their ideas. But these ideas have to be submitted to franchisors to test, and to be accepted, and so on, for trial, and then, to expand this to every franchisee which will benefit.

Researcher: Thank you, can we just sum up with the final question which is: In general, what would you say are the attitudes of franchisors towards entrepreneurship in their businesses, and in their franchisees? Do they have a positive, or negative, attitude, and what sort of factors determine whether they would have a positive, or negative, attitude towards entrepreneurship?

Participant 2: The franchisors I have spoken to, I would say they really are after system followers, hard workers basically, who follow the system.

Participant 1: I think I would put a little dimension to that statement. I think the new systems that are starting up, I don't think they exactly know where they are going with this. Because they still have a lot of keeping track ahead of them. So, they may be more willing to experiment with, em, em, you know, a lot of, em, adaptation. But as they mature, or even as they get to the growth stage of the PLC, I think they begin to recognise that it is uniformity that they are looking for.

Participant 6: I think it is impossible to answer your question on whether they have a positive, or negative, attitude towards entrepreneurship, since they don't know the entrepreneurship concept. They just feel, ok. I have one difficult guy, he does not obey my rules. So, he is a lot of trouble maker, not an entrepreneur.

Appendix B1

The Franchisor's Survey Questionnaire¹

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*Survey Conducted in
October 2005 /*

¹ Serial codes were put on each questionnaire in order to identify the respondents.

INTRODUCTION

This questionnaire is composed of three sections, which are intended to:

- determine your entrepreneurial tendencies,
- identify the standardisation and recruitment policies in your franchise organisation, and
- obtain some general information about your franchise organisation.

Please read the instructions at the beginning of each section, and answer all the questions as accurately as possible. For 'Section I' do not spend too much time thinking about the questions, simply answer 'agree' or 'disagree'.

All replies will be treated in strictest confidence.

Thank you in advance for participating in this research study.

SECTION I. GENERAL ENTERPRISING TENDENCY TEST

This section contains a list of 54 different statements, which have been designed to bring together and measure a number of personal tendencies commonly associated with the enterprising person. You are merely required to ‘agree’ or ‘disagree’ with the statements that have been made – tick ‘**agree**’ if you agree with a statement or tick ‘**disagree**’ if you disagree with a statement. If, for any reason, you neither fully agree nor fully disagree with a particular statement, please try to decide whether you agree with it **more** or disagree with it **more** and tick the appropriate answer. For your results to be usable, you will need to answer every question in this section. Do not spend too much time thinking about the answers. There are no right or wrong answers in this exercise.

Please tick one

Agree Disagree

- | | | |
|--|-----|-----|
| 1. I would not mind routine unchallenging work if the pay was good..... | ___ | ___ |
| 2. When I have to set my own targets, I set difficult rather than easy ones..... | ___ | ___ |
| 3. I do not like to do things that are novel or unconventional.. | ___ | ___ |
| 4. Capable people who fail to become successful have not taken chances when they have occurred..... | ___ | ___ |
| 5. I rarely day dream..... | ___ | ___ |
| 6. I usually defend my point of view if someone disagrees with me..... | ___ | ___ |
| 7. You are either naturally good at something or you are not, effort makes no difference..... | ___ | ___ |
| 8. Sometimes people find my ideas unusual..... | ___ | ___ |
| 9. If I had to gamble £1, I would rather buy a raffle ticket than play cards..... | ___ | ___ |
| 10. I like challenges that really stretch my abilities rather than things I can do easily..... | ___ | ___ |
| 11. I would prefer to have a reasonable income in a job that I was sure of keeping rather than in a job that I might lose if I did not perform well..... | ___ | ___ |

<i>Please tick one</i>		
	Agree	Disagree
12. I like to do things in my own way without worrying about what other people think.....	___	___
13. Many of the bad times that people experience are due to bad luck.....	___	___
14. I like to find out about things even if it means handling some problems whilst doing so.....	___	___
15. If I am having problems with a task I leave it and move on to something else.....	___	___
16. When I make plans to do something, I nearly always do what I plan.....	___	___
17. I do not like sudden changes in my life.....	___	___
18. I will take risks if the chances of success are 50/50.....	___	___
19. I think more of the present and the past than of the future.....	___	___
20. If I had a good idea for making some money, I would be willing to borrow some money to enable me to do it...	___	___
21. When I am in a group I am happy to let someone else take the lead.....	___	___
22. People generally get what they deserve.....	___	___
23. I do not like guessing.....	___	___
24. It is more important to do a job well than to try to please people.....	___	___
25. I will get what I want from life if I please the people with control over me.....	___	___
26. Other people think that I ask a lot of questions.....	___	___
27. If there is a chance of failure I would rather not do it.....	___	___
28. I get annoyed if people are not on time.....	___	___
29. Before I make a decision I like to have all the facts no matter how long it takes.....	___	___
30. When tackling a task I rarely need or want help.....	___	___
31. Success cannot come unless you are in the right place at the right time.....	___	___
32. I prefer to be quite good at several things rather than very good at one thing.....	___	___

Please tick one

	Agree	Disagree
--	-------	----------

- | | | |
|---|-------|-------|
| 33. I would rather work with a person I liked, but who was not very good at the job, than work with someone I did not really like who was very good at the job..... | _____ | _____ |
| 34. Being successful is the result of working hard, luck has nothing to do with it..... | _____ | _____ |
| 35. I prefer doing things in the usual way rather than trying out new ways..... | _____ | _____ |
| 36. Before making an important decision, I prefer to weigh up the pros and cons rather quickly rather than spending a lot of time thinking about it..... | _____ | _____ |
| 37. I would rather work on a task as a member of a team than to take responsibility for it myself..... | _____ | _____ |
| 38. I would rather take an opportunity that might lead to even better things than have an experience that I am sure to enjoy..... | _____ | _____ |
| 39. I do what is expected of me and follow instructions..... | _____ | _____ |
| 40. For me, getting what I want has little to do with luck..... | _____ | _____ |
| 41. I like to have my life organised so that it runs smoothly and to plan..... | _____ | _____ |
| 42. When I am faced with a challenge I think more about the results of succeeding than the effects of failing..... | _____ | _____ |
| 43. I believe that what happens to me in life is determined mostly by other people..... | _____ | _____ |
| 44. I can handle a lot of things at the same time..... | _____ | _____ |
| 45. I find it difficult to ask favours from other people..... | _____ | _____ |
| 46. I get up early, stay late or skip meals in order to get special tasks done..... | _____ | _____ |
| 47. What we are used to is usually better than what is unfamiliar..... | _____ | _____ |
| 48. Most people think that I am stubborn..... | _____ | _____ |
| 49. People's failures are rarely the result of their poor judgement..... | _____ | _____ |
| 50. Sometimes I have so many ideas I do not know which one to pick..... | _____ | _____ |

Please tick one
Agree Disagree

51. I find it easy to relax on holiday..... ____ ____
52. I get what I want from life because I work hard to make
it happen..... ____ ____
53. It is harder for me to adapt to change than keep to routine... ____ ____
54. I like to start new projects that may be risky..... . ____ ____

SECTION II. STANDARDISATION & RECRUITMENT POLICIES

Please answer the following questions with reference to the policies in your franchise organisation.

1. Do you allow your franchisees to undertake innovative activities by providing a process whereby they can:

Please tick one

Yes No

- introduce new product(s)? ²..... ____ ____
- introduce new service(s)? ²..... ____ ____
- introduce new method(s) of production / operation? ²... ____ ____
- open up new market(s)? ²..... ____ ____
- introduce new source(s) of supply? ²..... ____ ____
- other (please specify: _____) ____ ____

2. Do franchisees need to get your approval before undertaking such innovative activities?
Yes, always ____ Yes, sometimes ____ No, never ____ Not applicable ____

3. Have any of the franchisees' innovations been introduced widely across your franchise system?
Yes, all ____ Yes, some ____ No, none ____ Not applicable ____

² Indicates that the innovation should be new to the franchised outlet(s).

4. With regards to the recruitment of franchisees, please indicate the extent to which you look for people with the following entrepreneurial qualities (*Please answer on a scale of 1 to 5 where '1' represents 'not at all', and '5' represents 'to a large extent'*):

	Not at all		To a large extent		
	1	2	3	4	5
ambitious people?	—	—	—	—	—
independent people?	—	—	—	—	—
creative people?	—	—	—	—	—
risk-takers?	—	—	—	—	—
people who like to be in control?..	—	—	—	—	—
other (please specify:_____)	—	—	—	—	—

5. With regards to the recruitment of franchisees, do you use a standard selection system (e.g. a psychometric test, or an interview process) for identifying whether or not a franchisee is entrepreneurial?

Yes, always____ Yes, sometimes____ No, never__ Not applicable____

If yes, please give a brief description of the standard procedure that you use for identifying whether or not a franchisee is entrepreneurial _____

If no, please explain how you determine whether or not a franchisee is entrepreneurial

SECTION III. GENERAL INFORMATION

Please answer the following general questions about your franchise organisation.

1. What type of franchisor are you?

☐ Owner of the parent company

☐ Master franchisee

☐ Other (please specify: _____)

2. How many franchised unit(s) does your company have in the U.K.?

How long has your company been franchising in the U.K.?

3. How many franchised unit(s) does your company have overseas?

How long has your company been franchising overseas?

4. Do you have company owned unit(s) in addition to the franchised unit(s)?

Yes _____

No _____

How many company owned units do you currently have (both in the U.K. and overseas)?

5. In which sector does your organisation operate?

☐ Property and maintenance services, home improvements

☐ Catering and Hotels

☐ Cleaning and renovation services

☐ Commercial services

☐ Direct selling, distribution, wholesaling, vending

☐ Domestic, personal, health and fitness, caring, and pet services

- ☐ Employment agencies, executive search, management consultancy, training and teaching
- ☐ Estate agents, business transfer agents, financial services and mortgage brokers
- ☐ Parcel and courier services
- ☐ Printing, copying, graphic design
- ☐ Retailing
- ☐ Vehicle services
- ☐ Other (please specify: _____)

6. Where is your franchise head office located in the U.K.?

7. Would you like the personal assessment of your entrepreneurial tendency (i.e., the results of Section I) and/ or the results of the complete study? *(Delete whichever is not applicable)*

Yes ☐ No ☐

If yes, please provide your contact details below:

Name of respondent _____

Position of respondent _____

Respondent's company _____

Postal Address _____

Email address _____

Phone _____

Fax _____

Please go through the questionnaire again to check for any missing answers.

Thank you for completing this questionnaire.

All replies will be treated in strictest confidence.

**Please use the pre addressed stamped envelope to return the completed questionnaire to
Lola Ajayi-Obe at the School of Management, University of Surrey, Guildford, Surrey,
GU2 7XH by.....**

The next stage of this study involves a survey of franchisees in order to assess their entrepreneurial tendencies, and to examine whether such tendencies match with your franchise system’s requirements. I would be pleased to give you a profile of your franchisees when the research is completed. Would you be prepared for your franchisees to be surveyed?

Yes__ No__

If yes, please provide your contact details below (if they have not already been provided under the preceding question above):

Name of respondent _____

Position of respondent _____

Respondent’s company _____

Postal address _____

Email address _____

Phone _____

Fax _____

Appendix B2

The Franchisee's Survey Questionnaire³

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Survey Conducted in
..... /

³ Serial codes were put on each questionnaire in order to identify the respondents.

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Please tick one
Agree Disagree

- | | | |
|--|-----|-----|
| 1. I would not mind routine unchallenging work if the pay was good..... | ___ | ___ |
| 2. When I have to set my own targets, I set difficult rather than easy ones..... | ___ | ___ |
| 3. I do not like to do things that are novel or unconventional.. | ___ | ___ |
| 4. Capable people who fail to become successful have not taken chances when they have occurred..... | ___ | ___ |
| 5. I rarely day dream..... | ___ | ___ |
| 6. I usually defend my point of view if someone disagrees with me..... | ___ | ___ |
| 7. You are either naturally good at something or you are not, effort makes no difference..... | ___ | ___ |
| 8. Sometimes people find my ideas unusual..... | ___ | ___ |
| 9. If I had to gamble £1, I would rather buy a raffle ticket than play cards..... | ___ | ___ |
| 10. I like challenges that really stretch my abilities rather than things I can do easily..... | ___ | ___ |
| 11. I would prefer to have a reasonable income in a job that I was sure of keeping rather than in a job that I might lose if I did not perform well..... | ___ | ___ |

Please tick one

Agree Disagree

- | | | |
|--|-------|-------|
| 12. I like to do things in my own way without worrying about what other people think..... | _____ | _____ |
| 13. Many of the bad times that people experience are due to bad luck..... | _____ | _____ |
| 14. I like to find out about things even if it means handling some problems whilst doing so..... | _____ | _____ |
| 15. If I am having problems with a task I leave it and move on to something else..... | _____ | _____ |
| 16. When I make plans to do something, I nearly always do what I plan..... | _____ | _____ |
| 17. I do not like sudden changes in my life..... | _____ | _____ |
| 18. I will take risks if the chances of success are 50/50..... | _____ | _____ |
| 19. I think more of the present and the past than of the future..... | _____ | _____ |
| 20. If I had a good idea for making some money, I would be willing to borrow some money to enable me to do it... | _____ | _____ |
| 21. When I am in a group I am happy to let someone else take the lead..... | _____ | _____ |
| 22. People generally get what they deserve..... | _____ | _____ |
| 23. I do not like guessing..... | _____ | _____ |
| 24. It is more important to do a job well than to try to please people..... | _____ | _____ |
| 25. I will get what I want from life if I please the people with control over me..... | _____ | _____ |
| 26. Other people think that I ask a lot of questions..... | _____ | _____ |
| 27. If there is a chance of failure I would rather not do it..... | _____ | _____ |
| 28. I get annoyed if people are not on time..... | _____ | _____ |
| 29. Before I make a decision I like to have all the facts no matter how long it takes..... | _____ | _____ |
| 30. When tackling a task I rarely need or want help..... | _____ | _____ |
| 31. Success cannot come unless you are in the right place at the right time..... | _____ | _____ |
| 32. I prefer to be quite good at several things rather than very good at one thing..... | _____ | _____ |

<i>Please tick one</i>		
	Agree	Disagree
33. I would rather work with a person I liked, but who was not very good at the job, than work with someone I did not really like who was very good at the job.....	_____	_____
34. Being successful is the result of working hard, luck has nothing to do with it.....	_____	_____
35. I prefer doing things in the usual way rather than trying out new ways.....	_____	_____
36. Before making an important decision, I prefer to weigh up the pros and cons rather quickly rather than spending a lot of time thinking about it.....	_____	_____
37. I would rather work on a task as a member of a team than to take responsibility for it myself.....	_____	_____
38. I would rather take an opportunity that might lead to even better things than have an experience that I am sure to enjoy.....	_____	_____
39. I do what is expected of me and follow instructions.....	_____	_____
40. For me, getting what I want has little to do with luck.....	_____	_____
41. I like to have my life organised so that it runs smoothly and to plan.....	_____	_____
42. When I am faced with a challenge I think more about the results of succeeding than the effects of failing.....	_____	_____
43. I believe that what happens to me in life is determined mostly by other people.....	_____	_____
44. I can handle a lot of things at the same time.....	_____	_____
45. I find it difficult to ask favours from other people.....	_____	_____
46. I get up early, stay late or skip meals in order to get special tasks done.....	_____	_____
47. What we are used to is usually better than what is unfamiliar.....	_____	_____
48. Most people think that I am stubborn.....	_____	_____
49. People's failures are rarely the result of their poor judgement.....	_____	_____
50. Sometimes I have so many ideas I do not know which one to pick.....	_____	_____

Please tick one

Agree	Disagree
--------------	-----------------

- | | | |
|---|-----|-----|
| 51. I find it easy to relax on holiday..... | ___ | ___ |
| 52. I get what I want from life because I work hard to make
it happen..... | ___ | ___ |
| 53. It is harder for me to adapt to change than keep to routine... | ___ | ___ |
| 54. I like to start new projects that may be risky..... | ___ | ___ |

SECTION II. STANDARDISATION POLICIES

Please answer the following questions with reference to the policies in your franchisor’s organisation.

1. Does your franchisor allow you to undertake innovative activities by providing a process whereby you can:

Please tick one

	Yes	No
introduce new product(s)? ⁴	___	___
introduce new service(s)? ⁴	___	___
introduce new method(s) of production / operation? ⁴ ...	___	___
open up new market(s)? ⁴	___	___
introduce new source(s) of supply? ⁴	___	___
other (please specify: _____)	___	___

2. Do you have to seek permission before undertaking such innovative activities?
- | | | | |
|----------------|------------------|-------------|-------------------|
| Yes, always___ | Yes, sometimes__ | No, never__ | Not applicable___ |
|----------------|------------------|-------------|-------------------|
3. Do you have to report the outcome of your innovative activities to your franchisor?
- | | | | |
|----------------|------------------|-------------|-------------------|
| Yes, always___ | Yes, sometimes__ | No, never__ | Not applicable___ |
|----------------|------------------|-------------|-------------------|

⁴ Indicates that the innovation should be new to your franchised outlet(s).

4. Since you have been with your current franchisor, have you ever carried out any of the innovative activities listed below:

	<i>Please tick one</i>	
	Yes	No
introduced new product(s)? ⁴	___	___
introduced new service(s)? ⁴	___	___
introduced new method(s) of production / operation? ⁴	___	___
opened up new market(s)? ⁴	___	___
introduced new source(s) of supply? ⁴	___	___
other (please specify: _____)	___	___

5. Have any of your innovations been introduced widely across your franchise system?

Yes, all___ Yes, some___ No, none___ Not applicable___

6. With regards to your franchise organisation, please indicate the extent to which you agree or disagree with the following statements:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My franchise organisation is innovative	___	___	___	___	___
My franchise organisation is flexible	___	___	___	___	___
My franchise organisation is dynamic	___	___	___	___	___

SECTION III. GENERAL INFORMATION

Please answer the following general questions about your franchise outlet(s).

1. How long have you been with your current franchisor?

2. In which sector does your organisation operate?

- ☐ Property and maintenance services, home improvements
- ☐ Catering and Hotels
- ☐ Cleaning and renovation services
- ☐ Commercial services
- ☐ Direct selling, distribution, wholesaling, vending
- ☐ Domestic, personal, health and fitness, caring, and pet services
- ☐ Employment agencies, executive search, management consultancy, training and teaching
- ☐ Estate agents, business transfer agents, financial services and mortgage brokers
- ☐ Parcel and courier services
- ☐ Printing, copying, graphic design
- ☐ Retailing
- ☐ Vehicle services
- ☐ Other (please specify:_____)

3. What type of contract do you have with your franchisor?

- ☐ Single-unit franchise
- ☐ Multi-unit franchise
- ☐ Other (please specify:_____)

4. How many outlets of this franchise system do you own?

Where is (are) the outlet(s) located?

5. Would you like the personal assessment of your entrepreneurial tendency (i.e., the results of Section I)

Yes ☐ No ☐

If yes, please provide your contact details below:

Name of respondent _____

Position of respondent _____

Respondent's company _____

Postal Address _____

Email address _____
Phone _____
Fax _____

Please go through the questionnaire again to check for any missing answers.

Thank you for completing this questionnaire.

All replies will be treated in strictest confidence.

**Please use the pre addressed stamped envelope to return the completed questionnaire to
Lola Ajayi-Obe at the School of Management, University of Surrey, Guildford, Surrey,
GU2 7XH by.....**

The next stage of this study involves in-depth interviews with franchisees in order to examine the extent to which they behave entrepreneurially within their outlets. Would you like to be involved in this?

Yes___ No___

If yes, please provide your contact details below (if they have not already been provided under the preceding question above):

Name of respondent _____

Position of respondent _____

Respondent’s company _____

Postal address _____

Email address _____

Phone _____

Fax _____

Appendix B3

The Franchisor's Covering Letter

Dear Franchisor,

FRANCHISING & ENTREPRENEURSHIP RESEARCH

I am a doctoral student at the School of Management, University of Surrey, researching the above topical and important issue in order to improve understanding of the relationship between franchising and entrepreneurship in general. Essentially, the research is examining the issue of whether franchising is entrepreneurial.

We believe the research to be an area of particular importance for franchisors and their franchisees. For example, if you want to develop a climate that encourages entrepreneurial behaviours within your business you may be able to utilise the results of the study to identify mechanisms that would increase your adaptability to local markets, increase chain-wide innovation, and eventually improve the performance of your franchised outlets, as well as the entire system. Alternatively, you may be more concerned with maintaining a strictly standardised franchise format. As such, you may want to avoid the nurturing of an entrepreneurial climate within your franchised outlets. For you, the findings from the study may enable you to identify different conditions that could be introduced into the franchise system in order to restrain franchisees from undertaking entrepreneurial activities within their outlets. The findings from this study could also assist you in the recruitment and selection of franchisees.

As part of this study, I am conducting a questionnaire survey of franchisors and I would be very grateful if you could take a few minutes to fill in the enclosed questionnaire. Only your personal opinion is considered in this study and all replies will be treated in strictest confidence. 'Section I' of the questionnaire will give an indication of your entrepreneurial tendencies. If you would like to know how you perform, I would be pleased to feed your results back to you, personally. If you would also like a copy of the final results of the complete study, please indicate your interest on the questionnaire, and I will be happy to supply you with a copy of the findings when the research is completed.

Please note that I will collect the completed questionnaire from you at the National Franchise Exhibition in Birmingham by **Saturday, 8 October 2005**.

Thank you for your assistance.

Yours sincerely

.....
Lola AJAYI-OBE, B.Sc., M.Sc.

Appendix B4

The Franchisee's Covering Letter

Dear,

FRANCHISING & ENTREPRENEURSHIP RESEARCH

I am a doctoral student at the School of Management, University of Surrey, researching the above topical and important issue in order to improve understanding of the relationship between franchising and entrepreneurship in general. Essentially, the research is examining the issue of whether franchising is entrepreneurial. We believe the research to be an area of particular importance for franchisors and their franchisees as the results could be of considerable benefit to Franchising in the U.K.

As part of this research project I have already conducted a survey of some of the franchisors in the U.K., and I am presently conducting a follow-up survey of their franchisees. To this end, I would be very grateful if you could fill in the enclosed questionnaire which should only take about 15 minutes, and return in the pre addressed stamped envelope provided by Only your personal opinion is considered in this study and all replies will be treated in strictest confidence. 'Section I' of the questionnaire will give an indication of your entrepreneurial tendencies. If you would like to know how you perform, I would be pleased to feed your results back to you, personally.

Thank you very much for your assistance.

Yours sincerely

.....

Lola AJAYI-OBE, B.Sc., M.Sc.

Appendix C1

The Case Study Protocol

A. An overview of the case study project

A1 *Project objective*

The purpose of this project is to investigate the potential role of entrepreneurship in franchising.

A2 *Case study questions and propositions*

By means of this case study approach, the investigator hopes to identify and document answers to such questions as: *how* applicable is the entrepreneurship framework to the franchise context, and *why*? The propositions being examined are as follows:

Propositions regarding the Effects of Organisational Culture on Entrepreneurship within Franchise Outlets:

- (1a) regardless of franchisees' entrepreneurial tendencies, franchisees who view their franchise systems as highly standardised would perceive their organisational cultures to be uncondusive for entrepreneurship, and are likely to have franchisors who do not support and encourage them to engage in entrepreneurial activities;
- (1b) whereas, franchisees who view their franchise systems as highly flexible would perceive their organisational cultures to be conducive for entrepreneurship, and are likely to have franchisors who support and encourage them to engage in entrepreneurial activities.

Propositions regarding the Effects of Psychological Characteristics on the Entrepreneurial Behaviours and Activities of Franchisees:

- (2a) regardless of the degree of standardisation within franchise systems, franchisees who have higher entrepreneurial tendencies are more likely to display entrepreneurial behaviours/ engage in entrepreneurial activities;
- (2b) whereas, franchisees who have lower entrepreneurial tendencies are less likely, or unlikely, to display entrepreneurial behaviours/ engage in entrepreneurial activities.

Proposition regarding the Consequences of Franchisees' Entrepreneurial Activities:

- (3) the outcomes of franchisees' entrepreneurial activities would create new value for their outlets and the entire system.

B. Data collection procedures

B1 *Names of organisations and interviewees*

The case study interviews were conducted with 7 franchisees from 3 different franchise systems. The exact names of the participants were not disclosed because they were promised confidentiality. Serial codes have been used to identify the participants according to their organisations as listed below.
Organisation A: Two franchisees, A1 and A2, were interviewed from this organisation.
Organisation B: Two franchisees, B1 and B2, were interviewed from this organisation.
Organisation C: Three franchisees, C1, C2 and C3, were interviewed from this organisation.

B2 *Data collection plan*

The interviews were conducted during April and May 2006. Each interview lasted between 60 and 90 minutes, and tape-recording as well as some note taking were used to record the information obtained from the interviews.

B3 *Expected preparation prior to site visits*
The researcher analysed the websites of the franchise organisations under consideration, together with the responses from their franchisors’ survey questionnaires.

C. **Case study questions**
The case study questions are in the interview schedule presented below.

INTERVIEW SCHEDULE

Name of Organisation:

Respondent’s Name and Position:

Interview Date:

Location:

Start Time:

End Time:

ORGANISATIONAL CULTURE – 1

How would you describe the culture of your franchise system with regards to fostering/ preventing entrepreneurship within franchised outlets?

- Do you think your franchisor wants you to engage in entrepreneurial activities within your outlet(s)?
 If yes, why?
 If no, why?
- In what way does your franchisor support and encourage you to undertake entrepreneurial activities?
- In what way does your franchisor prevent and discourage you from undertaking entrepreneurial activities?

Does your organisation have a discrete/ formal system, which allows franchisees to undertake entrepreneurial activities within their outlets?

- If yes, please explain what the system entails.
- If no, please explain why you think your organisation does not have a formal system for entrepreneurship.

ORGANISATIONAL CULTURE – 2

**I want to focus now on the attitudes/ views of the other franchisees in your system:
What are the attitudes of the other franchisees in your system towards engaging in entrepreneurial activities within their outlets?**

- Do you get the impression that the other franchisees within your system have similar views about the culture of your organisation with regards to undertaking entrepreneurial activities within their outlets?
- Do you have a franchisee forum/ annual conference where these issues are discussed, or do you just talk informally to other franchisees about these issues?

ENTREPRENEURIAL BEHAVIOURS & ACTIVITIES – 1

What do you understand by the term entrepreneurship?

- How would you define an entrepreneur (and entrepreneurship)?
- What are the traits/ behaviours of an entrepreneur?

ENTREPRENEURIAL BEHAVIOURS & ACTIVITIES – 2

Would you describe yourself as an entrepreneur?

- If yes, why?
- If no, why?

ENTREPRENEURIAL BEHAVIOURS & ACTIVITIES – 3

What entrepreneurial activities have you undertaken in the past within your outlet?

- Have you introduced any of the following in the past: new products, new services, new methods of production/ operation, opened up new markets, new sources of supply?
- Tell me how you did it? (Who are the individuals that were involved during the entrepreneurial process; at what stage were they involved and how were they involved? What role and actions did you perform during the process?)
- What problems did you encounter?
- How did you overcome them?
- Did you get help from your franchisor?
- What were the key motivating factors for engaging in such entrepreneurial activities?

With regards to each of the entrepreneurial activities that you have undertaken, what were the outcomes for your franchise outlet?

- Did these activities create new value for your outlet and the market?
If yes, how?
If no, why?

With regards to each of the entrepreneurial activities that you have undertaken, what were the outcomes for your franchise system?

- Did these activities create new value for the entire system?
If yes, how?
If no, why?

The above questions will be excluded for franchisees that have never engaged in entrepreneurial activities. They will be asked the following questions:

What were the key factors that hindered you from engaging in entrepreneurial activities in the past within your outlet?

- Has there ever been a time when you wanted to engage in entrepreneurial activities but have not been able to do so?
If yes, why?
If no, why?

ENTREPRENEURIAL BEHAVIOURS & ACTIVITIES – 4

What entrepreneurial activities are you undertaking presently within your outlet?

- Are you trying to introduce any of the following currently: new products, new services, new methods of production/ operation, open up new markets, new sources of supply?
- Tell me how you are engaging in such activities? (Who are the individuals that are involved in the entrepreneurial process; at what stage are they involved and how are they involved? What role and actions are you performing in the process?)
- What problems are you encountering?
- How are you overcoming them?
- Are you getting help from your franchisor?
- What are the key motivating factors for engaging in such entrepreneurial activities?

With regards to each of the entrepreneurial activities that you are currently undertaking, what are the outcomes for your franchise outlet?

- Are these activities creating new value for your outlet and the market?
If yes, how?
If no, why?

With regards to each of the entrepreneurial activities that you are currently undertaking, what are the outcomes for your franchise system?

- Are these activities creating new value for the entire system?
If yes, how?
If no, why?

The above questions will be excluded for franchisees that are not engaging in entrepreneurial activities currently. They will be asked the following questions:

What are the key factors that are hindering you from engaging in entrepreneurial activities currently within your outlet?

- Do you want to engage in entrepreneurial activities currently but have not been able to do so?
If yes, why?
If no, why?

ENTREPRENEURIAL BEHAVIOURS & ACTIVITIES – 5

What entrepreneurial activities are you planning to undertake in the future within your outlet?

- Are you planning to introduce any of the following in future: new products, new services, new methods of production/ operation, open up new markets, new sources of supply?
- How will you do it? (Who are the individuals that would be involved in the entrepreneurial process; at what stage are they going to be involved and how would they be involved? What role and actions are you going to perform in the process?)
- What problems are you likely to encounter?
- Do you expect to need help for them?
- Do you expect to get help from your franchisor?
- What are the key motivating factors for wanting to engage in such entrepreneurial activities?

With regards to each of the entrepreneurial activities that you are planning to undertake, what would be the outcomes for your franchise outlet?

- Are these activities going to create new value for your outlet and the market?
If yes, how?
If no, why?

With regards to each of the entrepreneurial activities that you are planning to undertake, what would be the outcomes for your franchise system?

- Are these activities going to create new value for the entire system?
If yes, how?
If no, why?

The above questions will be excluded for franchisees that are not planning to engage in entrepreneurial activities in future. They will be asked the following questions:

What are the key factors that are hindering you from wanting to engage in entrepreneurial activities in future within your outlet?

- Do you want to engage in entrepreneurial activities in future but feel you will not be able to do so?
If yes, why?
If no, why?

Appendix C2

Transcripts of the Case Studies

Name of Organisation: Franchise Organisation B

Respondent's Name and Position: Franchisee B2

Interview Date: May 23, 2006

Location: Lincoln, U.K.

Start Time: 1.30 pm

End Time: 2.45 pm

Researcher: Can we start?

Interviewee: Yes, certainly.

Researcher: Please tell me how you operate as a franchisee in relation to your head office?

Interviewee: How do I work with them?

Researcher: Yes, how do you operate, what sort of activities do you do?

Interviewee: So, what I do is my business, or how I work with central office?

Researcher: Both, your business and how you work with the central office.

Interviewee: Ok. [Franchise Organisation B] is a lettings business, property management. So, we look after other people's houses and rent them out for them. As a franchisor, he supplies us with the system and probably the processes, how to do it, the basic processes. I have regular meetings with the franchisor, perhaps, every 2 or 3 months to get the logistics, have the business development medium. We've set up a legal helpline, so if we've any legal issues that we want to discuss about the lettings business then we would go to the legal helpline. So, it is the central office providing the service, but we don't actually go to the central office to get the information.

Researcher: The meeting that you normally have every 2 or 3 months, is that usually for all franchisees?

Interviewee: No, it's aimed at the top 10 percent of franchisees on a business development side, and franchisees have different requirements depending on the age of the franchise. So, for instance, if I've just only started, I would be getting a lot more help than what I'm getting today, because I've been going 10 years. I don't need the day-to-day help – where do you want to be in 12 months time, and let us work on a plan together to get you in. So it's different type of advice, they have advice for the ones that have just started, and they have advice for the likes of me. I'm also the top franchisee as well, so he pays particular attention to me.

Researcher: I noticed from your survey questionnaire that it seems you are the only franchisee who has been with the organisation for so long.

Interviewee: There is one other franchisee that has been longer. He is in Moray in Scotland. But his area is very rural, so he would never be as big as what I am. Especially because there is a territory in the area that he has got, he can expand but up in Scotland it means travelling an hour, or 2 hours, to do it. So, it's not practical for him to do it. He has been going about 6 months longer than I am but I am way, way, perhaps, double the amount of property than what he has.

Researcher: So, do you normally have just one-to-one meetings with the franchisor?

Interviewee: Yes. There are other meetings as well. One thing that is good that [Franchise Organisation B] has, is that they set up what is called a national forum. So, in a sense, what it is is you have two, three seats on the forum from central office. The rest of the seats are made up of franchisees. I'm one of the, I'm on there. Because what we have also got, we've got regional areas. So all the franchisees in a region get together every 2 or 3 months. Again, just ours is actually the most proactive meetings, and we meet every 2 months, and we have quite a lot of people there. So much so that other franchisees from other areas actually come to ours because they get more benefit from it. So you have a chairman of that regional area on the chairman of the East Midlands. So I have a seat on the national forum, and the national forum helps the franchisor take the business forward. One of the other jobs I've got is that I am, we set up working groups to look at specific areas of the business to make sure we are the leader in the market. And I'm in charge of insurances. So, all the insurance products that we set up, that we sell I've organised for the group, so I'll also have a chair on the national forum because of my responsibilities here as well. So, there is only one of me but I do have 2 seats actually on the forum. But the forum is very good because it means we can help direct the business in the right direction. Because, although the franchisor and his wife used to run a lettings business, they stopped 8 years ago, 7 years ago. So, they don't have the day-to-day experience. So, we bring along that experience on a day-to-day basis of running a franchise, and what the market is like. So, we can say, actually, that's no good, but this is a good thing. So, I would say for last year, the majority of the ideas that have been brought forward have come from the forum. So it's the franchisees, it's us franchisees helping to take the business forward. So, it's very good, it's a two way relationship. At the end of the day, the franchisor is the franchisor, and if he decided "no, I'm not doing it, I'm going to do it this way", then he would do it. But, he would be a bit silly to do it. So, it will be silly if he is trying to, he hasn't done it yet, but that's not to say in the future that may change.

Researcher: Apart from the forum, do you have an annual conference where all the franchisees come together?

Interviewee: Yes, yeah. That's once a year. Emm, there is also regular training meetings going on. There is also what he calls, the High Achievers Club. Again, it's the top 12 franchisees that come together about Christmas time, and have a conference, or a day conference, and then, like sort of a Christmas ball, or a dinner with dancing, or that sort of stuff, and they have awards, like 'franchisee of the year', 'new starter of the year'. And I've got that because I've earned the most income in 1 month for the whole group.

Researcher: Apart from dealing with different problems within the organisation, do you talk about entrepreneurship in the franchise forums: entrepreneurial ideas, entrepreneurial activities?

Interviewee: I think most of them, yeah. See, most of them come from individuals, and it's very rare for central office to come to us with an idea. It's actually us going back to them with an idea. We then look at it, then we trial it in a specific area, and if it works, then it's put out to all the other franchisees. So, central office owns their own lettings business [in a particular area within the U.K.]. So, if we've been on a new product, for instance, that has not been tried before, we'll put it in there, [i.e. where their lettings business is located], test it. And we have a marketing guy in central office that looks after this sort of stuff, and he can tell from the

report if it works. And they've got to prove that it works really to franchisee. Because if it's a new marketing idea we have to pay for the marketing ourselves within our own territory. So, he would come to us, and say, right, this is the sort of response we got from this new product. This is how much it costs us. So, when it goes to franchisees, franchisees can see if they spend that amount of money, then, they are going to get that much back. Then, it's worth doing. If they spend that much money, then, got that much back, then it ain't worth doing. And it is difficult for the franchisor to put a new product into like an office like mine where it has not been tested because I could lose from it. So, it needs to be tested. So, that's why we have the central office, their own one, to try everything, so it doesn't affect the franchisees.

Researcher: Is that the only office that they operate?

Interviewee: Yes, yeah. They did have more but it was not through choice. But the one choice is [the one mentioned earlier] and they would always keep [that]. Because they need somewhere to trial it, because up till when they owned that one, it used to be us franchisees, or certain franchisees, that would trial it. And it's not the right way to do it because it needs to be fully looked at, a bit like what you are doing now, needs to really have detailed information of how they did it, and how much it's going to cost for franchisees to do.

Researcher: Can you give me an example of such products that you tried to introduce, but didn't work within the franchisees' outlets?

Interviewee: Right, yes, maintenance. The company set up a maintenance company, and this is really just for this sort of the Grantham, Lincoln, Newark type area. And the idea was that if we had maintenance, we would send that maintenance to them, they would instruct their guys to come down and do it. It didn't work. It didn't work because it was them trying to cover an area that was too big. And it wasn't very well thought through. Again, it was one of this, before we had the forum. So, it was set up in haste really as a lot of things were in the early days. You know, he would come along to us, and say, right, this is a new product, this is the way to do it. And we say, no, we don't like it, it won't work. So, now he has completely turned around the way that he does things which is much better. So, no, that was a big failure. He also set up, we have to reference people, do credit checks, and employee checks, and landlord check. So, central office also set up a referencing. So we'll then fax our application to them. They will then reference them, and send back a report. And it was tied in within an insurance because landlords take out an insurance, and it didn't work. Again, they underestimated how many they would get. They didn't have the right software in the central office to do it, and they tried to do it on the chip. But they very quickly realised, actually, it wasn't gonna work. So he stopped it.

Researcher: Were all those ideas that came from the franchisor himself? The maintenance and the referencing system, were those ideas that came from the franchisor?

Interviewee: From him. That was before the forum. Any ideas now come from the forum. So, it could be central office bringing an idea, it can be me bringing an idea. For instance, insurance, I've been looking at that, and from November, I'm introducing a new product. In fact, we are introducing another one much quicker. But the one in November is my idea. And I've taken it to the forum, and I did all my research before, like you are doing now. And so I've got a product, and how much it's going to cost, and what it is going to do. And I've given them the details in the forum. And they all said thank you very much we love it. So, in November when we have a big renewal, it's gonna be launched then. But it's going to be launched before then because we have to train people. So, I'm organising training for the moment, and everything else, because we have to give them not only the product, but how to sell it, and the comparisons without the insurance companies, so that their landlords can see the real benefit of getting a few tax out of your insurance.

Researcher: The high achieving franchisees, are they evaluated based on sales? The amount of sales?

Interviewee: Not necessarily, I would say most of the time. I think there is 20 percent of franchisees given. Their proportion is 80 percent of the income for central office. So, 20 percent of the franchisees devote 80 percent of their income. So he has to look after those very well, the 20 percent. So, it could be, because we have an award for the best new comer, the franchisee might have been going 6 months. So, it's not necessarily being on review. Also, it tried to be judged on how much does an individual bring to the group? So for a franchisee to win it, would have to give more than just being a franchisee. You know, it will have to be on a forum, and our ideas, and exhibitions, and that sort of stuff. So, it's not necessarily just income. I would say the majority of it, but not all.

Researcher: Do you think your franchisor wants you to engage in entrepreneurial activities within your outlets?

Interviewee: Yes.

Researcher: Why?

Interviewee: Well, I say yes. It's probably yes and no. He wants [Franchise Organisation B] to be the best in the U.K., without a doubt we all do. That's the aim that we want to get out. So, there is only a certain amount of entrepreneurship that you can have within a franchise set up. Again, the ideas go back with the forum, but you know, unless you offer something free, then there is not a lot you can do. Now, what I've done personally with my partner, is that, I've set up my own, our own, or hers, maintenance company, which is completely separate from [Franchise Organisation B]. So, although the franchisor knows that I've done it, he doesn't get any income from it, because it's not part of [Franchise Organisation B]. I've also set up a house sales, called 'houses to order'. And that's mainly set up for the investor to invest their sale. So, I have a landlord that wants to sell, I've investors that are looking, I just put them together, and they get the sale. But, again, that's separate from [Franchise Organisation B]. That's what I've done to give more income. But not necessarily to give more income, I think having a maintenance company within the same premises owned by my partner makes [Franchise Organisation B] to give more added value. Because it means I have direct control over the maintenance man that we send out to do a job.

Researcher: Could you just briefly tell me what the maintenance is all about?

Interviewee: Yeah. The maintenance company is called [B Property Services]. And basically, it's just going to do maintenance on our properties because we look after about 500 properties.

Researcher: Within Lincoln?

Interviewee: Yeah, well, surrounding villages, but very close. So, if there is a leak, we go and fix it. If a house wants a refurbishment like new carpets, decoration, new kitchen, new bathroom, we can do that as well. So, we've just done one. We are starting another one on Saturday. We've got some more to do in July. What we won't touch is gas, or electric, because there are regulations that cover those, and we don't have, we don't yet employ an electrician, or a corgi registered plumber. One day, maybe, but at the moment we don't. We decided to keep away from them. So, it's any other repair that needs to do with the house. If we go to a house, and they have left loads of stuff there, then, our maintenance will go and take it away. They will re-lay carpets, take new carpets in there, decorate, put new windows in. Yeah, everything to do with maintenance.

Researcher: In what way does your franchisor support and encourage you to engage in entrepreneurial activities?

Interviewee: Anything to do with [Franchise Organisation B] he encourages it greatly. If it's outside of [Franchise Organisation B] then, he is not necessarily so keen. Because he is not getting any income from it, it's outside. If I had an idea to do with [Franchise Organisation B], he would support it. But only in so much to saying I think that's a good idea. He won't support it with marketing, or money, or anything, not that. He would support me with

speaking to: (a) his sales director. I have recently had a one-to-one. and again. I think I'm doing a fairly good job but I wanted an outsider to come in and have a look at what we do, and then, for him to say actually, I think you can do better here, or better there. As it happens, he couldn't find anything wrong. And he thinks we are doing things very well. In fact, he is taking ideas back. I don't hide anything. So, he would encourage it as much as he can if it doesn't cost him any money, which is fine, it's not a problem. And to be honest, I think that we probably get a lot more, not support, support is not the right word, but a lot more interaction with the other franchisees. Because we get together quite often. You know, these ideas bounce backwards and forwards, and we sort of take ideas. There are some ideas that other people would think that, I won't touch that, but I would pick and choose which ideas, what I would think would suit me. Because, again, I suppose with any business, if it's franchising all over the country, different territories, different things would work. You know, something might work in Shrewsbury, which won't work here, vice versa.

Researcher: In what way does your franchisor prevent or discourage you from undertaking entrepreneurial activities?

Interviewee: Again, he won't discourage it unless he thinks it's a really, really bad idea. If we are doing something that is outside the contract, obviously if we were against the contract, then he would do something about it. And he has been known to close franchisees down, which is no bad thing because it is like one bad apple affects everybody.

Researcher: Does [Franchise Organisation B] have any formal/ discrete system that franchisees have to follow when they want to engage in entrepreneurial activities within their outlets?

Interviewee: Yes, there is, I think there are only two. One is the contract, we can't do anything outside the contract that affects [Franchise Organisation B], and the other one is that we have guidelines, we have certain guidelines to follow when doing certain activities. And I'm mainly talking about if you came to rent a property, you would have to fulfil some very stringent guidelines for me to offer you a tenancy. Now, they are given to the franchisees. Again, insurances, if my landlord wanted an insurance, I have to make sure that these guidelines are adhered to 100 percent. And I can't enter into a tenancy, I couldn't give you a tenancy, if you didn't fulfil those requirements if the landlord wants to take an insurance. If the landlord didn't want to take an insurance, then the guidelines don't really matter because it's down to the landlord. The landlord could decide to say, yes, ok, I understand, and I quite happily accept the tenants without insurance. So, that's pretty much, there are a few others, but that's the main one. You know, there are certain things, we must have our end of month returns to him by the 7th of the month, we must pay our bills by the 7th of the month. But that's all within the contract.

Researcher: I want to now focus on the attitudes of the other franchisees within your system. Do you get the impression that the other franchisees share similar views with you, on the culture of your organisation, with respect to entrepreneurial activities?

Interviewee: I think yes. I think we all share our ideas. There is the odd one that, perhaps, doesn't share. But most of us generally share them. And the regional meeting that we have is very good, and we discuss all the issues. Like I would give a short brief on the insurance, where we are with the products. Someone else might do the IT, because we've got an IT working group. We've got a marketing and sales working group as well. So they will give their briefing on how things are progressing on that side. We also at the regional meetings get outside agencies in to, like if someone has a good idea, like I know cheap telephone calls, then, they will bring along information to hand out to everybody. And say, look this is the sort of deal I'm getting, you know, use it, or don't use it. So, again, our next regional meeting is on the 12th of June, I've invited our insurance guy to come and give a presentation on the new product that we are just about to launch on the 1st of July: (a) Because they need to know about it, but also I'm sort of helping the central office cover the FSA, the Financial Services

Authority, requirements that everybody must be given information on a new product, and trained on it. So, I think we do all share ideas.

Researcher: What do you personally understand by the term entrepreneurship?

Interviewee: Emm, waoh, it's very difficult. I spent 23 years in the army, came out and set this up, you know. I've been very successful. Hence, people say that you are a very successful businessman, and to some degree an entrepreneur. I have difficulty seeing it because I don't class myself, and perhaps, I should do, but I don't class myself as a businessman, or an entrepreneur. What is this entrepreneurship? It just means having ideas and bringing those ideas to fruition. It's a lot more, in that you have to think of the idea, you have to fund the idea, you have to then do research on the idea. Emm, right from being a baby to an adult before you can sort of launch it. You see, that doesn't necessarily suit me because I'm very much, if I'm seeing something and I think it's not a good idea, I do. I don't think about it, just do it. So far, I've not gone into trouble, or everything I've done seems to be ok. Some ideas are very, very good and work very, very well. Others don't necessarily work so well but are ok. Again, not necessarily entrepreneurship, but staff management, looking after staff, and having ideas, and what you should do with staff, and being out to sit back and look at the business from the outside, and say, ok I think we need to look at this area. We are not doing very well in this area. So, again, I've introduced a couple of systems recently that have meant that there is a lot more communication with certain landlords and those landlords love it. And it's something that we weren't very good at, but I've managed to sort of try and withdraw myself from the business, and so, not work in the business, but work on the business.

Researcher: You have actually touched on the next question in your responses. But I don't know if you have something else to add. The next question should be, would you describe yourself, personally, as an entrepreneur?

Interviewee: Eh, I would have to say no. Others would disagree, you know. I have a very good friend who runs [one of the franchised outlets of organisation B] in Peterborough, he works for big corporates and he was a director level very, very intelligent as far as business and ideas are concerned. I've learned a lot from him in the last couple of years. So, he would disagree, he would say, yes, you are. But it's very difficult, I don't know. Perhaps, I am, but I don't see myself as one. You know, I see myself as someone having a business and trying to do the best I can for me and for the future, and if I need to change it for something within the office, or change the system, or bringing new idea in to do it. I'm looking at an idea of giving all new tenant applicants free Sky TV in the property as an incentive to let more houses, so the landlord will be very happy, I will be very happy, so we all win. And if I can get a corporate deal with Sky because we let about 15,000 houses a year, so if I can get a corporate deal with Sky to offer that, and not just me offering it, but the whole group offering it, then, they would have 15,000 more customers than they have today at the end of the year. Again, I'm looking at the idea, I've got the contact in sky who has given me the right person to speak to to try and set something up, I don't know if it's possible. But, it's just trying to do something different to your competitor, that's what entrepreneurship is, doing something different, having a USP, is it, unique selling point? That's it, unique selling point, USP. That's what we try to look at all the time. So, our insurances that we offer to our landlords cannot be beaten by anyone, anywhere. Because I've gone into them, into insurance companies, and said, right, I want this, this, this, this and this. And I've got it. Because we have, I suppose, the buying power, because we have 90 branches throughout the U.K. And I've got them at really, really good rate. And, again, that's one of our unique selling points, is that our insurances are very, very good. I'm in the process of offering my landlord free rent and legal insurance when they sign. Because it's, I mean, it's cheap, but it means they have protection. So, if we go back to the referencing guidelines I talked about, that franchisees have to adhere to, they've been drawn up at the back of this insurance. So if a franchisee does everything within those referencing guidelines the insurance companies are not going to say I'm not going to pay. So, what the insurance does is to give the landlord peace of mind to know that if the tenants stop paying his rent, the insurance is going to pay, if he stays in the property, then.

they don't pay, the insurance company is going to pay, if they trash the house, the insurance company is going to pay. So, it's a really good insurance.

Researcher: Were all those your own ideas?

Interviewee: That's my idea. But, now it's the group.

Researcher: But, you came up with the ideas?

Interviewee: I've the ideas, and we've now brought it to the group. I mean, the one that we are launching in November, sorry, on the 1st of July is a non-managed pool insurance. So, at the moment, we've an insurance that we can offer our managed properties, i.e., the properties that we look after. We can sell that insurance to properties that our landlord looks after, his own insurance property. So, we would do the referencing and handover. But, there were certain ties that the landlord still has with us that we had to reference that person if that tenant moved out. Also, what it meant is that because we are not managing it we don't know if it has been looked after properly enough. Therefore, our claims were probably higher than it was really what we needed it to be, because of these properties that we have no control over. So, what we've done now is, I'm introducing on the 1st of November a non-managed policy. So we can sell it but it doesn't affect our own [Franchise Organisation B's] policy, that means the rate would stay low. Because if the way it was going, we would have to put the rate up for all of our landlords to protect these landlords that we aren't actually managing the households with the insurance. So, again, that's my idea, but, it's looking at protecting my landlords as well as everybody else, all the others, landlords, to make sure their premiums didn't go up because if it went up we'll lose that USP, which we don't want to lose. Also, the one in November, I'm introducing an insurance in November, because at the moment if you have a house and the water tank in the attic busts and does lots of damage, lots of water damage, and brings ceilings down, carpets and floors and walls, the insurance, buildings and contents insurance will pay for putting the property back as it was, it won't pay for the leak. So, what I'm introducing is an insurance that covers the cause. So, it means the landlord doesn't have to pay a penny but, also that if he makes a claim we have to go through a lot of justice to make a claim. Once we've added the maintenance one on, all the tenants are going to be given a '0800' number for one point of contact. So, if it's water coming through, whatever it is, goes there. They then instruct maintenance guys to go within 3 hours, to go and fix the pump. When they get there, if there has been lots of damage caused by that tank, we don't have to do anything. We haven't got to make a claim, because it's the same people who are dealing with it. So, it's less paper work for us. It also means that if all of my tenants have got the '0800' number, they aren't going to ring me. They are going to ring that. So, it's taking a bit of responsibility off me. So, I'm not so busy.

Researcher: Ok, well, you've given me a long list of entrepreneurial activities that you've undertaken in the past, but the next series of questions will deal with the entrepreneurial activities that you've undertaken in the past, those that you are undertaking presently, and those that you envisage that you are likely to do in future. Apart from the different activities that you've talked about, are there any other entrepreneurial activities that you've undertaken in the past? I know you've talked about insurance, you've talked about the Sky related contract.

Interviewee: Emm, I'm just trying to think. I've done lots of different things. I'm just trying to remember them now. I tried radio advertising once, that was just trying to see if something works, but it didn't. I tried advertising in different places. Again, it's not entrepreneurship. So, I would say that probably I haven't in the past.

Researcher: Did you encounter any problems while trying these activities?

Interviewee: Not necessarily, it just didn't work. Again, there are certain things that you can do that you can judge, and that you can plan to do, but radio advertising, they tell you that they can give you the statistics of people listening, and things like that, but until you do it, there is no proof in the pudding, but it didn't work. And that's the same for magazine

advertising, and all the other stuff. I'll tell you what I did once! I did do one. I wanted to introduce a maintenance insurance and I don't know if you know of the British Gas '3 Star Cover', have you heard of the British Gas one? Right, British Gas offers this service at the moment that they call a '3 Star Cover'. So, if you take out an insurance and something goes wrong with your house, then you just ring a '0845' number, and they will come and fix it. So, that's gas leak, water leak, no heating, no electric, blocked drains. So, I thought that's a really good idea. So, I contacted the British Gas, and I set up a corporate contact to do it, and I did for about 18 months. But, what I found was they didn't actually do what they said they would do. And we have to have a gas safety check on the property, every year, by law. And what I was finding was if there were 3 gas appliances in the property, they will have to check all 3. Actually, what they were doing, they would only check one, and they won't check the other two. And it ended up I was doing more work than less work. And the idea was that when you do something like that, is to make life a little bit easier. But, it didn't. So, I stopped it because it just did not work and, you know, a tenant would ring up in the middle of the night, and try to say, look, I've got a water leak, and they would say you are not covered. But, they were covered. Then, it wasn't till the next morning, I'll then come in and have to try and sort it out. But, by then, there is a lot of damage in the property. So it really, really didn't work.

Researcher: And that was your own personal idea?

Interviewee: Yes.

Researcher: Apart from the activities that you've talked about, are there any other entrepreneurial activities that you are presently undertaking within your outlet?

Interviewee: Yes. We look after some student property, portfolio. And we have about 300 beds. I'm currently looking at re-branding it under a different brand called 'Student Living'. It's trying to get the student market. '[Franchise B Lettings]' or 'Student Living', what would you go for?

Researcher: 'Student Living'.

Interviewee: Right, exactly. So we are doing some research at the moment to see whether re-branding it to 'Student Living', it will still be part of [Franchise B], but a 'Student Living' to get more beds. We don't have a problem getting beds. We are quite happy with what we've got, we could do with some more. But, at the same time, it is trying to do it, but only take the right quality of property because I don't want to take stuffs that we are going to have problems with in the future. So, that's one. The houses, we are doing house sales and that is expanding, and we are going to be offering associate licenses for individuals to work from home, selling houses. I don't know if you know REMAX, do you know REMAX?

Researcher: Yes.

Interviewee: Well, similar to REMAX. But instead of them all working in one office, they work from home, because it has proved that you don't need a shop front. You can see no signs of houses at all downstairs apart from the shop. And we've been successful with the sales that we've got. So we are going to be offering associate licenses on same line, similar to REMAX, but not exactly the same because they are going to be working from home. I suspect the commission will be set up as well. I don't know what REMAX's commission is. But, I'm sure it'll be different.

Researcher: What are the motivating factors for wanting to engage in those entrepreneurial activities?

Interviewee: Quality of life. I think Cameron gave a speech yesterday where he said we've got to try and change the concept because at the moment, people's perception, whenever you speak to anyone they have a work life balance. But, actually, it should be a life work balance. It's turning somebody's head completely. I was the same, when I was young, work life, work came first. And it shouldn't be. So, what I'm trying to do is actually think ahead, and think of when it is time to put my feet up. So it's planning my future. That's what I think of this, it's

planning ahead, so I can say, ok, when it's time to stop, I can just stop, and I've done everything I can to build up a pension pot. Because in life, you have probably heard this before, you need 4 pots. That pot has your home in, that pot has your pension in, that pot has your equities in, and this has your, that's houses, that's not a home, but it's houses. I think what everybody needs is some of each pot. If you haven't got some of each pot, then you are not using your tax allowances, or inheritance tax concerns properly. So, I'm ok on that, or will be, I'm ok on that, I'm ok on that, and that's my next one because I haven't got much in equities, which is shares, basically. But I do really need something in each one. So, that's the aim, the aim for me and my partner is to get this in a position that we can only have 1.5 million in it now. If you started, I don't know your age, but you look fairly young, if you started now, we say 100 quid a month in a pension, you would probably end up with more than 1.5. So, it doesn't take much to get to that. In fact, I think by 2010, I think it's going to be 2.1 million. But, you know, it doesn't take much to get that pot. It sounds a lot, but actually it's not a lot.

Researcher: What are the outcomes of these entrepreneurial activities for you?

Interviewee: What are the outcomes?

Researcher: Yes, for you.

Interviewee: I would say, it's trying to better yourself, trying to be the best. We've talked about a work life balance, or a life work balance. But, there is also for my staff, I want them to work smarter and not harder. And I think, at the moment the pace of life is extremely, these days, in a lot of organisations, I think it's outrageous, NHS, and military forces, just to name a few. So, again, what I try to do here is introduce systems to let them work smarter, but not harder. They work hard enough. And I don't want them to work anymore harder. But, at the same time, I don't want to bring anymore staff in. I would do, if I have to, and I've recently got an office manager that I brought in. Because, personally, I was finding that I couldn't work on the business because I was working in the business. So, I brought an office manager in. So, now she does a lot of my work, so I do have the ability and the time to stand back and think, ok, and think of different ideas, and then visit people to find out what they do, to see what I can do to change. So, you know, I have introduced a different software system. And so, any idea, even my team knows that my door is always open. They can always come to me with an idea. And if I think it is a good idea, then we introduce it. Recently, we had an exercise where I really wanted to know what they all thought of the business, not me, of the business. So, I said what I wanted them to do, I wanted them to do a business plan for the next year, 10 years, I don't mind 10 years, 5 years, a year, whatever you want.

Researcher: For the company?

Interviewee: For the business, for [Franchise B] Lincoln. And I said to them, look at what we do now, if you don't think it's working, then come up with suggestions. If you think things should be done differently, how are we going to be the best in Lincoln, not the biggest, the best? But at the same time, how can we improve the amount of the property that we look after. So, I gave them about, they had about 2 months to do it. And then, we had a, we closed for half a day, and then, we all sat downstairs, each one of them gave their presentations. Some of them, a couple of them had got together to do a joint one as opposed to individual. So, it was very good actually. It was very, very good, some of the ideas. And what I should be doing, I should be doing a, re-doing my business plan for the business, but it would incorporate some of the stuff that they've brought to the table. And what I would do, if I know that an idea has been brought by a particular person, I will be giving back to that person to say, right, now bring it forward. So, they feel part of the team, and that's what we are trying to do, I try not to call them my staff, the team, and I want to sort of work together. I have no problem with them knowing how much I'm earning as a business. I also tell them how much the outgoings are, so they can see there is not a lot in between. I have no problem with that because it just means that they want to make better because they want one. And then, having said that, if we make, I have a bonus scheme, which I give them, a bonus every

Christmas, just before Christmas. And, it's worth a percentage of what the profit is. Now what they also understand is, if they make any mistake that costs me money, that money comes out of the percentage. So, it helps them minimise the amount of problems that they cause. Because at the end of the day, they know actually if they didn't make a mistake that money will be shared amongst them all in their pockets. And I'm talking about bonuses of a thousand pounds, which is quite nice to have just before Christmas.

Researcher: For each of them?

Interviewee: For each of them, yeah. So, it's taking us as a team forward.

Researcher: What are the outcomes of your entrepreneurial activities for the head office?

Interviewee: Well, they get more percentage, they get more money from me. If I make more money, they make more money.

Researcher: What percentage do you pay as royalties?

Interviewee: 10

Researcher: 10?

Interviewee: Yes, actually most of the franchisees are 12. I'm 10. Yeah, there is a few of us. But not many of us. But I'm 10 percent. Actually he gets a lot from me. Not only does he gets his 10 percent, but you know, what I've done on the insurances has meant that our sales on buildings and contents insurance just over the premiums each month since November last year have been going up at over 20,000 pounds a month. So that means that individual franchisees are making more money. So, they are making more money from it. They are also having no quality control issues as far as insurance is concerned because all the quality is done. You know, a franchisee can't sell any other insurance apart from the one we provide. So, they don't have to worry about quality because it's all the same. They get a lot. Because, also all the ideas that we take to the forum and they use it means that the franchisees are the chaps here, they are making money, central office is making money. So, I think it has a big, big knock on effect.

Researcher: Are you planning to undertake anymore entrepreneurial activities in future within your outlet?

Interviewee: Well, 'Student Living' I'm looking at, 'Houses to Order' I'm looking at. But again, that's probably outside of, 'Houses to Order' is outside [Franchise B], but 'Student Living' is not. Emm, Sky I'm looking at that. And that's it, that's it at the moment. The difficulty is that when you have a business, it doesn't matter how big it is. A good analogy is that most businesses are super tankers. You know, the ones that carry oil at sea. So, if you go then in this direction, and what I was doing before I was in, and I was really in control of where it was going. Now, because I've got my office manager I've stood back more, and I'm actually the captain, I can steer it. But if I was going in that direction and I wanted to change it to left, I can't go like that, it takes time, and it could be several months to change direction of the company because if you do it too quick it won't work. So, any ideas that we have, I mean, the Sky one, if it comes off it's probably not going to be until later this year because it needs properly looking at. So any idea that we have that changes the business has to be clearly thought of. Because you can't just, you never know where you are going, it takes time to, so you've got to have a good direction. So, here what I've done is that I've got 2 key members of staff, upstairs next door is my account Karen, Debb is my office manager. They are absolutely key to the success of my business. And that's because from next year, I'm going to be taking a bit more time off. So they are key. So, at the moment, we are in a phase of getting Debb, the office manager, trained as much as we can. She's been involved with problems. I know about them. But she's dealing with them because I want her at some stage in the future to actually be the branch manager. So, I could stay home with my horses and perhaps come in at 1^oclock and go at 2^oclock, whatever. At the moment, I don't know. What I do know is that I want to have some quality time because I have that work life balance, and I

want to have a bit of life now. So, it's building the business so I don't have to be here. But it's difficult because too often I've seen people abdicate instead of delegate. I'm getting married in July and we are going for 3 weeks, away. We'll be away for 3 weeks. I'm really comfortable to know that they can manage for 3 weeks. But I'm going to come back. So, that's delegation, it's not abdication, if I abdicated I would just sit at home and let them manage, it has no direction because there is no one up the top because the office manager can't do what I do, not yet, it's going to take a year to get to the level that I am. so it's a fine level. I'm going to be living 20 minutes away. So, it's coming in, but not coming in to do hands on stuff.

Researcher: There is this general debate that franchisors are entrepreneurs but franchisees are not, and this issue actually forms the background to my doctoral research project. If you were to contribute to the debate, what would be your views?

Interviewee: The franchisor must be an entrepreneur to do what he is doing, to take the idea that he has got and to franchise it. Franchisees, I think that there is a process you go through, I'm probably an entrepreneur now because of the ideas that I bring to the table. In the early days, franchisees set about doing what they are doing and learning from others, as opposed to bringing up ideas themselves. I'm sure there are lots of entrepreneurs and there probably is within the group. Some of them don't like sharing and others haven't got time. So, you know, I think you must be an entrepreneur to run your own business even though you are a franchisee. And I hope that's the message you are getting from everybody. It's got to be, it's got to be, it's got to be, because the concept that we had when I first started 9, 10 years ago was a cottage industry type business, that's what this whole [Franchise B] was set up as, a cottage industry business, primarily set up for husband and wife working from home, earning about 60,000 a year. That's exactly what it was. No shop, no vans, no cars, no staff, nothing, emm, that was the concept. Look where I am today, I've got 11 staff, 500 property, four vans. So the concept he had as an entrepreneur was very good but is completely different to what it is today. He wouldn't be where he is today without us. So, we've helped him tremendously get to where we are today. Some of them, we had to hit him over the head with it. But now, we've set up this national forum, and I think other franchises do something similar but I don't think it is as proactive as ours is. So, yes, I think that we are definitely equal entrepreneurs.

Researcher: And to conclude, would you advise someone that is considering being a franchisee to go ahead with it?

Interviewee: Yes. But they must do their research on the franchisor. I didn't, I didn't, you know. Again, because that's me, that's the way I work. I see a good idea, I think I can do it, I do it. As it happened, I think I chose the best one because there are other lettings franchises around. But, they have all sort of come and gone. There is a couple of them still there, but nothing like what we are. And I think that's a credit not only to the franchisor, but to us franchisees for getting us where we are. So will I? Absolutely. They must do their research on the franchisor and then speak to the franchisees, not take everything as gospel from the franchisor.

Researcher: Thank you very much. I'm really grateful. You've given me great insights.

Interviewee: No problem.

Researcher: Are there any other issues you would like to talk about?

Interviewee: No, no.

Researcher: Later in the year, I will send you a copy of the transcript of this interview. If you have any comments on it, please let me know.

Interviewee: Yes, certainly.

Researcher: Thank you very much.

Interviewee: No problem.

Name of Organisation: Franchise Organisation B

Respondent's Name and Position: Franchisee B1

Interview Date: May 19, 2006

Location: Romford, Essex, U.K.

Start Time: 1.30 pm

End Time: 2.30 pm

Researcher: Can we start?

Interviewee: Yes, go on.

Researcher: Could you please tell me how you operate as a franchisee in relation to your head office?

Interviewee: Emm, we are pretty much independent of the head office. We work under their guidelines but they have no involvement with the actual day-to-day running of the business, or how we staff the office, or anything like that. Emm, but their own guidelines are the look and colour of the shop, things like that, and branded literature, bits and pieces like that. But, day-to-day operational is pretty much down to us as a business here to make our own decisions day-to-day.

Researcher: Essentially what do you do, I know you are in the lettings business.

Interviewee: Yeah, we are residential lettings agent. So we take instructions from landlords who have residential properties and find tenants for them. And then, we also manage the property afterwards. So, we can collect the rent, deal with issues, so the landlord doesn't have to get involved in any issues other than taking receipt of his rent each month.

Researcher: Do you think that your head office wants you to engage in entrepreneurial activities within your outlets?

Interviewee: Yes, they do. There is only so much you can do obviously because you are in a field of residential lettings. So, you can't do too many other things. But there are always opportunities there to explore than that, the offers that you can give to landlords, and whatever. So, they encourage it because they like you to report back to the group. So, if you've done something, works out well, in say Romford, and you take it back to everyone else it can affect the whole group.

Researcher: When you talked about other activities, what sort of activities are you referring to?

Interviewee: Emm, well, we know we only do lettings, whatever, but we, there are other services that we can offer to landlords, or potential landlords. We could offer actually finding, sourcing investment properties for landlords. You know they come to us and say, we've got X amount of pounds to spend, can you find us an investment property? So, we could do that service for them. Or we could provide them with good advice on how they could furnish a property, things like that.

Researcher: Are those the sort of activities that you do personally within your own outlets?

Interviewee: Emm, I would, yeah, yes, or it could be other people as well. It's just whether, you can't say, emm, we might do it once a month, or whatever. It's just when the need arises,

or it's more of really, it's more of when the landlord comes to you with an issue that they are trying to resolve that you can then sort of put your mind to it, and say, right, this is how we can resolve this. Emm, and it may mean that you set up another business activity to achieve that, or business skill to achieve that, than you would normally do as a normal everyday run of the mill issue. But then they just come up out then and do so.

Researcher: Are there specific controls from the head office that you have to follow when undertaking entrepreneurial activities?

Interviewee: Emm, the only real controls that I see is of the brand. So, sort of headed paper, and things like that. Brand is pretty much controlled heavily.

Researcher: With respect to the letter headed paper are they supplied to you directly from the head office, or you are allowed to have your own suppliers.

Interviewee: Emm, at the outset they provide you with a global sort of printer, if you like, that you can print all their stuff from, and you can use that. Emm, you can use, I mean we use local printer more for just networking reasons, more than anything. Emm, but as long as it makes the same colour, the same type of font, and things like that, it's ok.

Researcher: Apart from Romford, you mentioned in your questionnaire that you have another outlet?

Interviewee: In Chelmsford, yes.

Researcher: Does that mean you own the right to the whole of Essex?

Interviewee: No, it just means that I own the right to Romford territory and Chelmsford. We've got the right to Chelmsford. There is another [Franchise Organisation B] in Colchester which is also Essex. But, likewise, someone could come along and buy all these little sort of areas around. They could buy that territory, so Essex could have sort of 60 [franchisees from Franchise Organisation B]. So, we only have the rights to certain pockets of it.

Researcher: In what way does your franchisor support and encourage you to undertake entrepreneurial activities?

Interviewee: I think the biggest support is putting you in contact with other franchisees to enable you to sort of bring ideas together and discuss them. I think you've got to have the mind set of an entrepreneur to actually take on any business from the start, anyway. So, I think a lot of people have already got that in them, anyway. So, it's not sort of necessarily, emm, development, it's more of sort of just encouraging, and whatever. I think the way they bring people together and make people aware of what other people are doing in a way of turnover, things like that, is sort of, almost makes it like a bit of competition, to see, like they do sort of league table, and things like that. So you almost think, right, I want to prove to myself and get another 3 places up the league table, and things like that. So, it's sort of a bit of a drive forward. But they also try and make you see that you've got to be different to everyone else out there. You know, there is competition in every market place, and in every field. So, the only way you gonna get forward is to be different and bring different qualities to the forefront of the market, which is doing, as I said earlier, the little bit extras for the landlords if there is a need. But specifically, they let you get on with your businesses as it were. In fact, they do not sort of instruct you anytime, whatsoever, you should do this each week, or should do that next month, or whatever, or this year, we are really gonna push this forward, you know. They are pretty much, they are there to support you, and the more you ask, the more support they give. But if you went through without asking they probably won't contact you that often either, you know.

Researcher: You mentioned that the franchisor puts franchisees together. Is there a forum for franchisees?

Interviewee: They do do forums, yes. Emm, they do sort of South East, sort of regional forums, they do national forums, and they also do sort of group training. So they may hold

sort of training up in head office, and invite everyone there, and then, it's more of an informal sort of meeting, sort of thing. You are there for the training but you are also there to have a sort of chat with other people.

Researcher: How often do you have the forums?

Interviewee: It's more when sort of new legislation comes in. So, you could have 3, 4, a year, or you could have two per quarter depending on what legislation may be coming in. When they do, when you take over a franchise, you have a 3 week training contract, or training course to start with. So, sometimes you can spend a couple of days on that training course doing certain aspects, whatever. So, you could have 3 or 4 a year.

Researcher: What sorts of issues do you discuss in the forums? Do you discuss new ideas?

Interviewee: Yes, yeah. And it's almost like a sounding board, I suppose, to say, what, I've had this idea, do you see any flaws in it? So, you've got like-minded individuals there that could turn round and say, well it's a great idea, but what if this happens, which you might not have thought about when you are sitting in your office on your own. This wonderful idea that you have come up with, and then, somebody says, actually there is no way it's gonna work because of this sort of bypass, or completely forgot about it.

Researcher: Apart from the idea that you mentioned, the extras that you give to landlords, are there any other new ideas that have been discussed in the forum? That is, new ideas coming from franchisees?

Interviewee: Not really. To be perfectly honest, I've only been to one forum. Mainly, my reason for that, mainly because this business is only 18 months old. So, to take sort of half a day, or day, out of the business to go to a forum, the time has to be very right for me. Otherwise, I can't afford to. A lot of the time in the forums, it's more, I've done this, why don't you see if it can work for your business, and things. There is more of that, I feel, rather than, how about try this.

Researcher: I think [Franchise Organisation B] has about 90 franchisees currently?

Interviewee: Yes.

Researcher: What was the attendance rate at the forum that you attended?

Interviewee: I haven't been to a national one, I've only been to a regional. I would have said that's probably about 60 to 70 percent attendance.

Researcher: The national forum that you are talking about, is it like an annual conference?

Interviewee: They have annual conferences as well. So, a lot of the time, at the national ones you are sort of, there is sort of, I suppose, chairman of the regional ones that goes to the national ones. And then, they can, you can have like an open invite to everyone else if you want to attend, things like that. They try and do like high achievers conferences as well. But once again, because everyone is running their own businesses, it's really hard to get everyone together in the same place at the same time because they have all got businesses to keep running, and whatever. So, it's almost like I find that the people that are very successful always attend these events because they've got so many staff there that they can just, basically they are successful and they don't need to work in the office anyway because everyone else is there running the show for them. But the people that are starting out, probably, realistically, the guys that do need that extra support are the ones that find it harder to attend because to come and walk away from the business, and not have any involvement for a day is quite major, really. So, it's hard, I think, to get everyone together at the same time in the same place, and obviously 90 nationwide, that means, that they sort of, you know there are people far into Scotland, and wherever, that you know could take them a day to travel to the head office, that sort of thing.

Researcher: Have you ever been to an annual conference?

Interviewee: I went to the high achievers conference last Christmas.

Researcher: In terms of determining whether a franchisee is a high achiever, is the criterion based on the amount of income that was generated?

Interviewee: Yeah, yes, yeah. Just turnover, yeah.

Researcher: Do they get rewarded for that?

Interviewee: There is like an award for high achievers.

Researcher: Do you get effective communication from the head office?

Interviewee: We get emails just on sort of changes to legislation, things like that, memos about bits and pieces that are happening throughout the group. Through our software package, there is a bulletin board where you can sort of post ideas that other franchisees can see and respond to, and things like that. Much, that's the main source of communication, you know, phone calls, and things like that. And some franchisees also, sort of, will call other franchisees, and you know, sort of pass the time a day, or something. But, myself, I'm not like that, I just, you know, I speak to sort of the guy at Chelmsford, obviously. That's about it, really.

Researcher: Do you operate the outlet in Chelmsford yourself?

Interviewee: No, I've got a, the co-owner operates that sort of sometimes.

Researcher: Do you get courtesy visits from the head office?

Interviewee: Yes, I've been there, yeah.

Researcher: I mean do they visit you from the head office?

Interviewee: Yeah, yeah, just to check that everything is the way it should be, really. Yeah, they come here because they just like to check that it's mainly the branding, and things like that. They just pick up this envelope and check it's the right colour, you know. So, they do, yeah, they do pop down.

Researcher: In what way do you think the franchisor discourages you from undertaking entrepreneurial activities?

Interviewee: From the importance they put, they mainly put on focus into what you are trying to achieve, focus on letting properties, and things like that. So, but as we know, there are other bits and pieces that can help you with that but pretty much is, this is the line you should be taking, this is the business you are trying to push forward. So, stick to that no matter what. Emm, it then doesn't allow you to put in other ideas, or other resources. So, but as I said, although they come down to do courtesy visit, whatever, they are not on you all the time as to say, right, what's your sales today, what's this, what's that? You know, they are pretty flexible as to just let you run your business, and even if your sales are low they are not on the firing side, how come you haven't made more sales than that. You know, they are concerned obviously, but they are not right on you. So, I'm sure other franchisees are pretty much more regulated by the head office. Whereas, ours is pretty much, this is your business and all you have to do is report to the head office at the end of the month, that sort of thing. But I don't feel they really, I couldn't say they really discourage you from doing anything. You've got your guidelines to stick to, or should stick to, you know, that's where you should be going and if you are not, then, they might pull you back into line but they won't discourage you from doing things.

Researcher: I want to now focus on the views of the other franchisees within [Franchise Organisation B]. Do you think the other franchisees are entrepreneurial?

Interviewee: Some do, and some don't. I would probably say 50/50.

Researcher: Why do you think some don't?

Interviewee: I think some people just see it as almost buying a job. You know, they buy the franchise to secure their own job, if you like, and that's all they want to do, is just make enough, or just have a big enough business to employ themselves. or partner. or whatever. Whereas, other people want to grow the business, push it forward, so they are not the same. I would say, yes about 50/50.

Researcher: Those that are entrepreneurial, what do you think motivates them to engage in entrepreneurial activities?

Interviewee: Money.

Researcher: What do you understand by the term entrepreneurship?

Interviewee: It's obviously being used more and more nowadays, and it's becoming a lot more of a regularly sort of seen and heard, and maybe overtime. it's going to lose it's, emm, credibility. Really, I would say probably entrepreneurs have all got ambition, that's pretty much the same.

Researcher: Do you think entrepreneurs have the same traits?

Interviewee: I don't think they have.

Researcher: Are you born an entrepreneur, or could an individual be trained to be an entrepreneur?

Interviewee: They are both really. To be honest, I think everyone is born with it. But it's whether it's developed through education, or life, or whatever, or your own mind. I think everyone has got the ability to do whatever they want in life. But it's whether they pull on them skills, or put in a position to do it, or actually make themselves in that position to deal with it.

Researcher: Would you describe yourself as an entrepreneur?

Interviewee: I wouldn't, no.

Researcher: Why not?

Interviewee: Because I see entrepreneurs as doing this sort of thing, different to everyone else. And I just see myself as I suppose a businessman running a business. I suppose, as well, it's a bit like I'm one of these people that don't particularly like sort of the, some of the, networking meetings where everyone sits around and starts talking about how good their businesses are, and things like that. You know, I'm not really into all of that. I think as well lot of entrepreneurs have set themselves aside from everyone else, and say that, I'm better than you because I've done x, y, z, and that's just not in my nature. But I could see other people say I'm an entrepreneur because I've developed a business and brought new ideas to this business. But myself, I wouldn't classify myself as one. Whether that's good, or bad, I don't know.

Researcher: Now we are going to talk about the entrepreneurial activities that you might have undertaken in the past since you established your outlets. Then, we will move to those that you are undertaking currently, and we will finish this section with those that you envisage undertaking in the future. So, past, present, and future.

Interviewee: Right.

Researcher: What entrepreneurial activities have you undertaken in the past within your outlets?

Interviewee: Emm, you want specific sort of things?

Researcher: Yes please.

Interviewee: Well, I suppose, initially just setting the thing up, setting the business up. Realising that there is a market for it and setting it up. It's developing a business and making

sure that we are the best that we can be here. So, there is nothing specific that I'm doing to say that is out of the ordinary. But it's more making sure that what is here is the best, that we can do it. It's hard because I just see it as building a business, and whatever, not specifically doing anything out of the ordinary. I suppose, really, the main one is setting up in the first place and finding a premises and developing that, and sort of building it from there.

Researcher: Have you introduced any new product in the past since you established your outlets?

Interviewee: Not really, no.

Researcher: Earlier, you mentioned the sort of extras that you can give to the landlords, have you ever done any of those?

Interviewee: Yeah, we've done, I've done sort of property finding, and things like that, yeah. Yeah, yeah, I suppose.

Researcher: Was it your own idea to start doing the property finding?

Interviewee: Yeah, well, it's more that somebody comes to us, and said, I'm thinking of buying a property. So, yeah, it's like we'll tell you what will help you out. So, I suppose it was my idea, yeah.

Researcher: Do you think that other franchisees within [Franchise Organisation B] also do similar things?

Interviewee: Probably some do, others will just say, alright, let us know when you've found it. So, yeah, I suppose that's where the 50/50 comes in, yeah. Maybe subconsciously I'm doing it and I don't know.

Researcher: Have you ever introduced any new methods of operation?

Interviewee: Emm, I didn't have anything to start with, so the methods of operation really I developed myself because we started from scratch. There were no methods of operation in day one. So, I've just developed them over my own time.

Researcher: Have you ever introduced new sources of supply?

Interviewee: Early in the year, yeah, yeah.

Researcher: In what areas?

Interviewee: Emm, things like, obviously they provide us with stationery supplies, and things like that. With things we need to do, gas checks on property, and things like that, electrical checks, so we have to find our own suppliers of them. And just sort of printers, advertisement, and things like that. So they are just sort of run of the mill suppliers that you use, or deal with, in any business really.

Researcher: The global printer that you mentioned earlier, was that an option for you to use when you just started your business?

Interviewee: No, we still use it now. They advise you to use it initially because they will print it exactly how it wanted it. And you can still use it now, or you could go elsewhere and use other suppliers. I still use it now and I use local suppliers. It just depends on what I'm printing. Letterheads, and things like that, I just use the local guys, but the more sort of detailed stuffs, it's easier to use the main sort of, emm, the main suppliers from [Franchise Organisation B] because they know exactly what to do, and just saves one from messing around really.

Researcher: What problems did you encounter while undertaking those entrepreneurial activities?

Interviewee: Really, the initial problem I encountered was finding premises. Yeah, finding premises was a problem, finding staff is a problem, finding the landlords is a problem. There are inherent problems somewhere along the line. The main one is just sort of generating more business and finding the right staff.

Researcher: How do you find the landlords?

Interviewee: Mainly, nowadays, just word of mouth, and advertising in local sort of papers, radio, things like that. Pretty much someone knows the landlord somewhere along the line. So, just sort of talking to people really, word of mouth mainly.

Researcher: Did you get help from your franchisor with respect to all these problems?

Interviewee: Yeah, they were there to give us assistance, yeah.

Researcher: What were the key factors that motivated you to engage in the entrepreneurial activities?

Interviewee: People do them badly. People who manage properties, or managed my properties do it badly. So, I suppose it was a case of I would stop moaning about it and leave them to get on with it, or you do something about it, set up on your own. So, the main reason I set it up was because of other people being useless at doing the job.

Researcher: With regards to each of the entrepreneurial activities that you've undertaken since you started your outlets, what were the outcomes for you, personally?

Interviewee: Emm, a sense of achievement, I suppose, and the business still here. The major outcome is that we still open the door each day. If the outcome didn't allow us to do that, then, you know that you have done something wrong, and you've got to quite address it, or you've got to walk away from the business and call it a day. So, that's really what I achieve out of it, more income.

Researcher: What is the royalty rate that you pay to the head office?

Interviewee: 30 percent. It's on sales. It's on percentage of sales per month. So, the more sales we bring in, the more royalties they get.

Researcher: What were the key factors that prevented you from engaging in entrepreneurial activities in the past within your outlets? I know you've already mentioned some factors earlier.

Interviewee: Mainly time. So, whatever it is, it takes up so much time. And there are so many other avenues that I can explore, but it's just, you just can't concentrate on this one, and develop this one until it's at a point where it can manage itself. Time.

Researcher: What entrepreneurial activities are you undertaking currently within your outlets?

Interviewee: I don't know if I am doing any at the moment. I don't know if there are any specific ones that I'm doing at the moment, really.

Researcher: Are you introducing any new products or services currently?

Interviewee: I would say nothing specifically. We tend to not, we don't tend to bring a specific product or service to the market. It's more if somebody asked us about something, we would try and develop it into what we can. So, there is nothing I'm trying to push at the moment as a new service.

Researcher: Are you planning to undertake any entrepreneurial activities in future?

Interviewee: I'm planning to open another office in future.

Researcher: In which area?

Interviewee: Just local. It will just be like a small office. all the admin side of it will be run from here. But we'll just have like a small office. It will be a completely different area from here but just to give us a presence.

Researcher: How soon are you planning to do that?

Interviewee: 18 months time.

Researcher: Are you planning to introduce a new method of operation?

Interviewee: No.

Researcher: Are you planning to introduce any new sources of supply.

Interviewee: No.

Researcher: What problems are you likely to encounter with respect to the new entrepreneurial activity that you are planning to undertake?

Interviewee: Pretty much the same as here, finding premises, and finding the staff. So, the business will come in because we are there and we've got a client base here already. But the main problem will be finding premises and finding the right staff to man the premises.

Researcher: Do you expect to get help for these problems from your franchisor?

Interviewee: I would expect to, yeah.

Researcher: In what form would the help be?

Interviewee: They are normally quite good with helping you to find premises, and things like that. And they can give you stuff, and advice, and things, and time as well. Mainly they literally found this place for us. They are quite good on that side of it.

Researcher: What are the key motivating factors for wanting to open a new outlet?

Interviewee: Money, that's it. It's more money.

Researcher: What would be the outcomes of the new outlet for you?

Interviewee: Alright, it would make this one busier as well, because we'll have two. And it will make this one busier. The main thing I've got to focus on, make sure don't happen, which could happen is that the level of service here could fall because of concentration of efforts in the new outlet. Make sure that things are structured correctly here before you move on to the next one because there is no point having two badly operated outlets for the sake of having two. You are better off just to have one, two good ones, or one good one.

Researcher: What would be the outcomes of the new outlet for your head office?

Interviewee: More fees, yeah yeah.

Researcher: What are the main factors that may prevent you from wanting to engage in the entrepreneurial activity in future?

Interviewee: I would say, yeah, mainly time. Again, it's only worth doing something if you can then do it well. So, if you haven't got the time to make sure you can do it well, then you might well not do it.

Researcher: We will now move on to the final part of the interview. Why did you decide to become a franchisee?

Interviewee: Emm, because I didn't have the knowledge to set up on my own. So, I wanted to purchase a franchise so I could have people I could call up, or have the ability to talk to people that have done it before. And buying the franchise was the easiest way to do that. Secondly, [Franchise Organisation B] in the South was pretty unknown, and I thought it was a good way of getting into a market that hopefully in 5 or 6 years time, we are growing so

strong, that all of a sudden [Franchise Organisation B] is known sort of throughout the land, and it's, emm, massive sort of name, and hopefully, my business would be greater because of that.

Researcher: You mentioned why you chose the lettings sector earlier.

Interviewee: Just because of bad experiences because I'm a landlord myself. Just bad experiences, and I thought, well, I can do it better. That was it. That was the reason, really.

Researcher: How did you get to know about [Franchise Organisation B]?

Interviewee: Emm, I spoke to the franchise, the Colchester, and he just mentioned something to do with the franchise. And I just looked at their information on the website, got through to them to send me some stuff.

Researcher: Did you ever attend any of the franchise exhibitions?

Interviewee: Yes, I've been to the London one. But, I've been as a franchisee. I didn't go prior to buying a franchise. I pretty much, we pretty much went into it, we just made a decision, and that was it. We didn't sort of research it, other franchisees around, or anything like that. We just sort of saw this, [Franchise Organisation B], saw what we liked, and just went for it. So, we went into it, quite sort of, to a point with our eyes closed because we didn't really know what else is out there.

Researcher: Would you recommend franchising to someone that is considering it?

Interviewee: Yeah.

Researcher: Why?

Interviewee: Just the level of support that you can get, really, and using a name, is sort of, people recognise the name, and people come down to ask, I've seen the [Franchise Organisation B] in Colchester, or whatever. So, you know, they think you are connected with it, which you obviously are. But, there is always somebody else you can ring up. There is always somebody you can find that you can ring up and speak to, which is great.

Researcher: To conclude, there is this debate that franchisors are entrepreneurs, but franchisees are not. What are your views on this issue?

Interviewee: Emm, I would say franchisees are.

Researcher: They are not?

Interviewee: No, they are, yeah. And franchisors are not.

Researcher: Why?

Interviewee: Because franchisors use other people's entrepreneurial skills to develop their own businesses. But, I can understand why franchisors say that franchisees aren't necessarily, because I think, a lot of them would say, well, you could go out and have your own franchise business, or whatever. So, why buy into mine, you know. But, I think anyone, whatever field they do it in, anyone that sets up some line of business has got some kind of entrepreneurial skills.

Researcher: Are there any other issues that you would like to discuss?

Interviewee: No, I don't think so.

Researcher: Thank you very much for your time. I am very grateful.

Interviewee: That's alright.

Researcher: I would send you a copy of the transcript later in the year. Please let me know if you have any comments on it.

Interviewee: Alright. I hope it helps.

Name of Organisation: Franchise Organisation C
Respondent's Name and Position: Franchisee C2
Interview Date: April 21, 2006
Location: Surrey, U.K.
Start Time: 9.00 am
End Time: 10.30 am

Researcher: Can you please tell me how you operate in your organisation as a franchisee?

Interviewee: How I personally operate?

Researcher: Yes.

Interviewee: As a franchisee, I bought the franchise from, basically, it started out that two people were the first people, Markus and Tony, they bought the first franchise for this company, which is [Franchise Organisation C]. And they carry out electrical appliance testing, which is checking all the plugs, anything with the plug on it that for health and safety reasons need to be checked. So, they were the first one to buy the franchise. And I was employed to run it. But they had their businesses so they weren't really too involved in it. So, it's my job then to develop the business, and they will put the money in, whatever, to get it moving forward. And then, from there, basically grow into what I'll call a nice little business. What happened was that it took longer to get the business running. Basically, when we started getting money coming in, jobs coming in, the main franchise bit weren't paying us. And basically, they decided to sell, which was why I then bought the franchise from them.

Researcher: Who bought the franchise?

Interviewee: I bought the franchise off them.

Researcher: Ok.

Interviewee: So, I now own that franchise for those testing. It just happened that at that time I was awarded the contract with West Sussex County Council, which involves all the schools in West Sussex, which was underneath their umbrella. County hall, all social services, it's quite a big contract. And just working on that really. That's where I am at the moment. So, I have two staff full time, one part time staff, and the secretary part time, and myself.

Researcher: How do you get the organisations that you test their electrical appliances?

Interviewee: Basically, the head office, which is the corporate side, they've passed some work to me. The other way is basically you buy databases from these management companies, which gives you a database of maybe 400 schools. You just can't go through yellow pages and start phoning around because you've got all these protection act, data protection things. So, you have to buy a specific database from a company. And once you have got that database you could then start phoning up. Because I know the way the calls work, I would ask to see

the bursar to find out when the last test was done, because a lot of schools do it inside. they do it themselves. So, you find out basically how they do the testing themselves, or who is doing the testing on behalf of the service, when it comes up to renewal possibly you may be able to offer them a price to do the work. Obviously you've got the experience of all West Sussex County Council schools, and they know that we have the track record for doing the schools.

Researcher: Apart from schools, what other types of organisations do you work for?

Interviewee: Emm, apart from schools, you get things like, emm, the fire trucks, the company is just down the road in Guildford actually. They build all the buses and fire trucks. It's a big manufacturing plant. So, there is a lot of power tools, computer design, all that kind of things. So, that is quite a big one. So, we are picking up a lot of these different schools and colleges. I mean, if we take a University like this, it's 20,000 items, possibly. That will keep an engineer going for 6 months. So, something like that, that's a lot of work, just to sort of generate into paper work etc. Obviously, the head office wants us to move further forward with the way we develop things. But, it's like anything, if they don't pay us on time, because we set 45 days, if that gets delayed, because it's a very paper orientated business, you have to write everything down, you are going to a room, write the computer down, who makes it, do the test, and you end up with thousands of sheets of paper which they then input into their computer, produce a report of which they would then send to the client. So, it's a very paper orientated thing which means that they may not, when you are sending all these paper through, and we were the first franchise, and there are now 30 other franchisees around the country. So, as everybody grows, they are catching up with what we are doing. Which means, basically, they are always simply doing it behind us. Which also means we don't get paid because they've not created the report to invoice the client. So, that's the main problem we are having at the moment because we are growing so big, so quickly. You've got a nice little business here, just build it slowly because if you've got lots of work coming in I know they won't be able to handle it. We gonna be in a situation when we spend a lot of money developing it, or getting it forward, possibly you might overstretch us. So, that's where it is at the moment.

Researcher: Do you think your franchisor wants you to engage in entrepreneurial activities within your outlets?

Interviewee: When you said entrepreneurial activities, are you talking about the development of the business?

Researcher: I am referring to different innovative activities relating to the development of the business.

Interviewee: Right. Yes, they probably, they would do.

Researcher: Why is that?

Interviewee: Why? Because obviously it is to their benefit if we produce more work coming in it's beneficial for them because they get 15 percent of everything we turnover. So, basically, if I do 100 pounds, they get 15 pounds of that work. And they have to produce a report for that. So, for them, it is obviously beneficial, that's how they grow, and that's how we are meant to grow. But, because obviously if they are not catching up with what we are all doing, and they are not managing to keep all the paper work running. But, what we have managed to do now, I mean talking about the entrepreneurial side, is that when I first started doing this it was, it ain't very paper orientated. It was two companies that made the tester. Seaward is one company and Robin is another. And we were using Seaward ones, and I said that we've got to stop basically this paper trail, because it's just, with all of us doing it, just not gonna work. So, we tried by using small note pads, you know, we've got computers like laptops, and typing in all those stuffs, but it was just too slow, so, that didn't work. And now we've now gone, we went back to Seaward and said, look we need to try and develop your software in the box so that when we type in something we've got it all stored in. So that when I press 'M', it says Monitor, you enter that. And then, it prompts you to another list of all names of the monitors: Dell etc, and choosing the one you want, the tester then stores all the

information there. And you don't have to do paper work. So, now we've got this situation now where we are trying to actually develop a new tester. So, we've gone to Seaward and said, see, look we need to do this. We've got a couple of engineers doing this. It's a bit slow but it's getting there. So, we've moved a whole industry forward now because of this paper problem.

Researcher: In what way does your franchisor support and encourage you to engage in entrepreneurial activities?

Interviewee: They have, basically now, they are employing someone there who is the coordinator for the franchisees because, before, there wasn't, it was just the person who is doing the inputting, it was the person who was paying the bills etc, the person chasing the money. But now they have actually employed some franchise coordinator. And he is now joining us all together. So, we all have a forum once every 3 months. So, there is one person who represents the region down here. Another person, the Midlands etc. And they all meet up and basically we discuss what the problems have been, how we want to move things forward, the problems other people have had. That kind of thing, we just sort of discuss everyone's problems, and then come to an agreement possibly what we could do about it, and then try and move that forward.

Researcher: Apart from the forum, are there any other ways in which the franchisor support and encourage you to engage in entrepreneurial activities?

Interviewee: At the moment, no, we haven't any other ways, no.

Researcher: In what way does your franchisor prevent and discourage you from undertaking entrepreneurial activities?

Interviewee: It doesn't at all. They are happy to move us forward. If we come up with good ideas, and we want to implement it ourselves, that's fine. Because it's quite a big organisation, I mean they just don't do part-testing, they do fire as well. We do all the fire, lighting, and all the signs, we do all the fire extinguishers. So, it's all that as well. It is 3 sides, the fire side, that's one side, which is [Franchise Organisation C], the main franchisor that's another company called [CE], and they do rental and property. So, they are basically quite a big franchising developing business. But, because it is big, it is very hard to get them to change quickly. So, we would have like the idea of what we need to change, the tester, it's taking a year to move that forward. So, they are happy to do it, but they just can't do it very quickly, that's all. So, they are very happy with us giving good ideas but it does take time.

Researcher: How long does it take on average?

Interviewee: Well, it's taking a year just to do this development of the tester because we have to go to the manufacturing company, have meeting with them to discuss how we wanted it. So they've spent money on us developing this new product, which will be a benefit to everyone else on the street now, so they can use that as well.

Researcher: Does your organisation have any discrete or formal procedures which franchisees have to follow when they engage in entrepreneurial activities?

Interviewee: Not really, no. We have the normal processes for 9001. So we have to follow that, and then we have the processes of the ECA, which is basically an electrical contracting organisation because we are a member of that. So, we have those procedures and guidelines. So, it's correct action, how you do the testing, obviously health and safety of the people around you, risk assessment, you know, the general process of running a business. But as for the entrepreneurial side of it that's more to them I would have thought a design thing, ideas coming forward they don't have a policy with that. It's just a matter of just trying to get the work done at the moment. It's not like there is a design package. They are just kind of trying to make it as easy for us as possible.

Researcher: We will now focus on the views of other franchisees in your system. Do you get the impression that the other franchisees within your system share similar views with you about the entrepreneurial culture within your organisation?

Interviewee: Yes.

Researcher: With regards to undertaking entrepreneurial activities?

Interviewee: Yes, they do, yeah. I mean there are a lot of very happy people at the moment as franchisees. Because obviously they bought the franchise and spent quite a bit of money on that. And then, the entrepreneurial side of trying to get things forward, they are happy for [the head office] to pass them some bits of work, that's good, obviously that's good because they get the work. So, I'm possibly talking on the operational side than the entrepreneurial side. Slowly, this guy is bringing it all together now, this new coordinator. But, I really didn't probably answer the question you are asking me there, does it?

Researcher: Well, I'm actually interested in what other franchisees think about the culture of your organisation with regards to entrepreneurship.

Interviewee: I see, ok. Emm, yeah, I suppose at the end of the day there are lots of ideas coming out from franchisees obviously to develop their businesses, and that all come back. Lots of emails are going round from everyone saying that have you tried this database. So, this coordinator guy kind of brings us all together. He's kind of slowly getting us all to work together now. Emm, so there is coordination between us.

Researcher: You mentioned that you have a forum which you attend once every 3 months. Apart from discussing the problems that you encounter and ideas, what other sorts of issues do you discuss during the forum?

Interviewee: As I said, if somebody has found a database that is useful, say for schools. They say, well, if you want to get this database it's great for schools, they all produce 2,000 schools in your area, it has all been cleared that you can go on to phone them up, or use that access. So, that kind of way, people are bringing in those ideas.

Researcher: We will now move on to address some general questions about entrepreneurship. What do you understand by the term entrepreneurship?

Interviewee: An entrepreneur is someone who can produce new ideas to a problem or situation. To me, it is new ideas to solve problems that you may have in your business, or in the way you have to work your business. As I said, the example of that tester, was so much paper being created. To have a little bit of diversity in the fact that, right, let us change that tester, let us go to the manufacturer, let us work with them, redesign this tester, put new software in. But for the fact that we pushed it forward means that we have changed it. You can put ideas into place which is different, and bring other ideas from other people together so that by putting that all together it will move things forward to make things better for people.

Researcher: Would you describe yourself as an entrepreneur?

Interviewee: Yes, I think I would do.

Researcher: Why?

Interviewee: Because of what we've talked about, the testing thing. So, basically, that was an example where I knew it had to be changed. Emm, and I kept talking to them about it. We tried, I tried all other things with this, notepad, that little laptop thing, but they were just too bulky to carry with the tester as well, so that didn't work. So, it was that going back to the head office so that we have to change all these because as you grow we can't grow with you. So, basically, as I said before, putting an idea like that in place, and there we got a new product, which is available for everyone in the country.

Researcher: Were you the person that came up with the original idea to change the tester.

Interviewee: Yeah, yeah. But, I mean it came up in the fact that we needed to change something. We sat down with the manufacturer and said, look, we want this, can you do this, can you have it so that we can type in physically into the tester, the monitor, the mains cord, all those kind of stuff, instead of having to write it. So, they went away and came back, and said, we can probably do this.

Researcher: Are there any other reasons?

Interviewee: We normally have the procedures in the office where we've had to have Sage, you know Sage, the company that looks after all your invoicing, all the stuff like that, the accounts, we've had to get them in because it's so many. Because each individual person when they create an invoice, we are having to get Sage to be able to make us to be able to talk to the main office programme. Because at the moment, with Sage, if you put an invoice out from the head office, and it creates its own invoice, if I invoice [Franchise Organisation C] which is our head office, I have my own invoice, and there is no way to join the two up at the moment. So, basically, we had to call Sage in to say that we need a way where we can tag on your invoice number with my invoice number, so we know the two are joined together, so that the paper trails start then, and can then be followed through. So, they have now designed for us this new system where basically they just type in my invoice number, and they create their own invoice number when they invoice the client. Because they do all the invoicing, we invoice our head office. So, that's how the procedure works.

Researcher: Who does all the invoicing?

Interviewee: What happens is that we have the software, which is Sage, in our head office. So, I do the work, I create the paper work and all of the information, and send on a floppy disk, or we can do an e-mail. That goes up to our head office. The girls then type all that information in. So, they will write number 1, 2, is this, this, this, and combine all the electrical tests to that, so that then produces a report. They then invoice my client and take 15 percent off it. They invoice my client and that creates an invoice number, they do have to create an invoice number by doing that through the Sage programme. But because I have invoiced them I have my own invoice number, and the two have to connect together, and Sage can't do that on its own. So we had to get them to come to redesign the programme for our own needs so we could join the two together. So, that's how we've done that. So, Sage has had to come together with a package so we can all kind of talk to each other with paper work because there is so much paper. If I'm doing, say, 40 jobs a week and there are 30 other franchisees doing the same thing, what we have possibly on this job is a thousand items, a thousand information. There is an awful lot of paper work. So that's why we try to obviously tidy things up a bit. So, we all kind of came together with this because when I went up to the head office and said, look, this paper work thing is not really counting, is not working, we are not tying up within the thing, so I suppose that wasn't my own idea, that was the fact obviously we had to talk about the way we could make it easy for us, franchisees and our office.

Researcher: But, were you the first person to come up with the idea that you've got problems with the paper work?

Interviewee: Yeah. Basically, I had to go out, and said, look, why haven't I been paid on this, and it's because, basically, the system has broken down. They had invoiced the client but couldn't tie up, they couldn't find my paper work. Things were running actually parallel but weren't joined together. So, we said, look, we've got to get somewhere with all the new franchisees coming on, we need to join these together. So, they had to do it. It wasn't something that I operated for them, it just wasn't working. They had to get that right, otherwise, they couldn't work for everyone.

Researcher: I know you have mentioned some of the entrepreneurial activities that you have undertaken, but we will now discuss them in more details in the following order: the entrepreneurial activities that you have undertaken in the past, those that you are undertaking presently, and those that you plan to undertake in the future. So, starting with your previous

entrepreneurial accomplishments, could you please give me a list of the entrepreneurial activities that you have undertaken in the past?

Interviewee: Which we've talked about with the tester, for instance?

Researcher: Yes.

Interviewee: How do we give a list on that? As I said earlier on, the tester is a box that basically you type in a number, you type in number 1, I'll say for instance. And then it brings up a menu of what sort of test you want to do on an item, say a monitor, for a computer monitor, so that has to go into another mode, you then connect the instrument to the IT you gonna test. You did the test, and that then says if it passed or failed. And the information is then stored in that box. But, you then physically have to write down number 1 'monitor', the name of that monitor. And if it's class 1 monitor, it means it is going to be tested each year, if it's IEE code it needs to be 4 years. It all depends what the different requirements are. Sometimes they want serial, so you have the paper line, and then, you have the physical testing of it. And they will all be separate. So then, it was a matter of bringing the two together, which was what I said earlier on. We then went to the manufacturer, and said, is there a possible way? So going back to the manufacturer, we talked about putting basically the paper work into the box. So, when you press number 1 on there, it would ask you what it is, so, you can say I want 'M', i.e., monitor; or if it's 'P', it could be printer; 'F' for fax. So, you press one letter and then it will then come up with a list of stuff, and then, choose the one you want, carry out the test, which is what the tester does anyway, press store, and that's stored in there. And then, download that into your computer. What we've now developed, in a year's time, you will take your tester, you will plug into that computer, you will download the job you created a year ago back into your tester. So, I can go on site now, and plug it in, and say, that was number 1, if you've got a list, you won't have a list for this, because you need a paper, write number 1, monitor, you press 1, then monitor will be already stored on the computer, you just do the test. So, they have developed that for you. We've worked together to try and join the thing together.

Researcher: So, in that case, that is a new product?

Interviewee: It's new idea, no one is doing this at all. We've moved all these forward now.

Researcher: So, could we say you have introduced a new product to the market?

Interviewee: Well, we cannot. It's not just me personally, it's other people in the franchise. So, we've got to get this sorted. When, I came up with the idea, well, we can go into putting it into the tester, and I said, well, we are talking with the manufacturers on it. It's only when we had the manufacturers with us, and said that this is what we want, can you do this? They went away and said that we think we can, and came back, and said that, yes we can do this. So, they actually did all the hard work with it. We just had the idea because we knew that it would be easier for us just to get rid of this paper work because that was the problem.

Researcher: So, would that be a new product and new method of operation?

Interviewee: Yeah.

Researcher: Have you ever opened up a new market for your operations?

Interviewee: No, not yet. I mean, our head office as I said, if this works, obviously it's beneficial to all of us. But, it's there in the market, so they can use it. So, they seem to be quite happy for us because we are working with them, because we want to move things forward. Because we are one of the larger companies actually doing this testing. So, as we've moved, we are pushing them further forward as well. So, they are developing more for the things we need. So, then, the market has been opened up by us really. We are leading the market in what we want to do.

Researcher: You are leading the market in what you want to do?

Interviewee: Just by putting this forward no one else has thought of this, you see. Even the people that manufactured the box, they weren't really sort of looking further. We have now combined the paper work with the box. So, it is all in one unit now. And then, that can be put on to computer and clear the box off. And then, we come a year later to re-test the item, you download it off the computer, back into your box, and there you just go in. and say, well that label there is number 4, type 4 in, that's what it is, do the test.

Researcher: Ok. What problems did you encounter while undertaking these entrepreneurial activities?

Interviewee: It took so long to do it. That was the thing, when you leave it to so much design, and change things, they had to go away and then sort the software out. and put that in there, come back, try a bit, didn't work. So, basically, we were all back there saying, are they going to be able to do it?

Researcher: How did you overcome the problems?

Interviewee: They did all that, you see.

Researcher: Do you think you got sufficient help from your franchisor while developing the tester?

Interviewee: Yeah, I think they did. We worked quite well on that together, because we had to, because it just wasn't working, and now, you know, it is slowly, I mean, it's still in the development stage. We are still piloting this, we are trying it out. It's a bit slow. But it's a training for yourself as well, because you've still got to do the paper work just to make sure if that box goes wrong, this is covering it. So, it would be a stage where the paper work will go. Well, we are still having to do the two things while we get used to this, just sort of ironing out the problems. Emm, yeah, they've been very helpful out there. They had to be.

Researcher: What are the key motivating factors for engaging in entrepreneurial activities for you, personally?

Interviewee: To get things done quicker, and more efficient, and easier. Because, as I said, this paper trail is so time consuming. It takes weeks. So, it is just to make things faster for us, more efficient, and also, have a better control of, you know, storing information, data, instead of having files and files of paper work. To have it all on a computerised system is obviously a lot easier.

Researcher: What were the outcomes of the entrepreneurial activities for your own outlet?

Interviewee: Well, we are still developing so I can't answer that. At the moment, it's still in a stage where we have the box, we are trying it out, we are still ironing the box out. So, at the moment, we don't really know. We know what we want, we want it to be easy for us to get rid of the paper. So, that's our goal. But at the moment, I can't say how, you know, what it's gonna be like.

Researcher: Can you say the outcomes for your head office yet?

Interviewee: Well, they want the same thing. We all want this, to get rid of the paper. So, we are all going for the same thing. So, it would all happen. It's just like anything, when you develop something, you've got the old system, you've got the new, the two sort of have to join together. And then, one goes, and the other one goes into the new system. At the moment, we've still got the two systems running, we have to, because the development is not quite finished yet, emm, we could lose all the information. So, yes, yeah, yes.

Researcher: Are there any factors that have hindered you in the past from engaging in entrepreneurial activities?

Interviewee: Eh, not really, no. I mean at the end of the day, this had to be done because of the situation of how long it was taking. So, the only thing is the amount of time that it took to develop the software to get that done. But, nothing really major, no, there wasn't.

Researcher: Those were the entrepreneurial activities that you undertook in the past. Are you undertaking any entrepreneurial activities presently?

Interviewee: We are still developing this one you see. We are all kind of concentrating on this area of the project at the moment, as well as doing our own work just to survive and obviously expand the business, this is obviously a part of it. I mean, I have other ideas apart from being a franchisee, or other businesses that I will like to be involved with. But that's nothing to do with the franchise side.

Researcher: So, currently your entrepreneurial activities are just a continuation of what you've been doing in the past?

Interviewee: At the moment, yes. Because we are still developing.

Researcher: Now, let us look at the future, could you please tell me the sorts of entrepreneurial activities that you are planning to undertake in the future?

Interviewee: The other way, I suppose, is to start moving the sales forward, that's I mean, if the equipment works, obviously that would be great. And it would save a lot of time, and money for them up there as well. And we can get invoicing coming in, which gives us more cash flow, which means we can develop more. So, in that respect, that realises other things. But, it's getting new businesses through the door, and everyone has that, not a problem, ours is not a product people certainly really want, to have my office part-tested, they don't want it done. Because it is very intrusive if you are sitting down with your computer, if I ask you to turn it off while I do a quick test on it, and you've got 300 people in an open plan office, and they are wondering around doing all these. They really don't like it. So, they know it has to be done for insurance purposes. But, it's not something they really want. So, it's trying to get the business, to grow the business is quite hard. It's not an easy business to sell. It has to be done for insurance purposes. But, it's a very hard business to develop, so consequently, we are all kind of working with this forum, etc, to set up new ideas to develop the business, really.

Researcher: Have you been able to come up with more new ideas?

Interviewee: Well, at the moment, you could use the sort of sales techniques that other people have used like databases and call centres, etc. But they are quite expensive. It's quite a new business, this, at the moment. It's not like it grows very big quickly. So, you can only put in as much as the money you have to actually start developing that forward. So, if you would use a call centre, you might not get very much out of that and it costs you a lot of money to do that. But you don't get a lot back from that initially.

Researcher: Has the database produced significant results for you?

Interviewee: For me, it has, because I specialise in the schools. I like doing the schools. And because I've had a lot of experience with the schools that's mainly what I'm testing at the moment.

Researcher: What problems are you likely to encounter in terms of the future entrepreneurial activities that you are planning to undertake?

Interviewee: I can't see any problems, I want to move this forward. You've got to overcome any problems of selling that's the whole point. You can't grow your business without the sales. So, you have to get through it, and with the help of your head office, and the other franchisees, now we are starting to talk together more. We would always, we would overcome most of the problems, I think. We have to, so as to move the business forward, otherwise, we just end up a little person on your own. And as I said, it was only recently that we all got this forum together where we talk, and we start sending little information across. So you are kind

of, like anything, talking to people with the same situation. They are saying, well, have you found that this does this work with that. So these kinds of problems if you put it out on the network, there is always simply someone else who have to come up and help with it. So, I don't see many problems, no, to answer your question.

Researcher: Has the forum been very useful?

Interviewee: Yeah, it has been, it is getting useful now, yeah.

Researcher: Do most of the franchisees turn up at the forum?

Interviewee: We have one representative for each region. So, basically, you talk to that person, and say that, these are the problems. That one representative of the region, which will cover maybe Kent, Surrey, Hampshire, whatever, he will go and then have that meeting for that area with our head office and another person. So, he's carrying all the franchisees in those areas as a representative, otherwise, you gonna have 15 guys all in one room. We have an annual meeting where we all get together, and that is when we discussed general things. But this forum is new for us now. We'll see how it works.

Researcher: When did the forum start?

Interviewee: Literally, it started within the last 8 weeks. It's very new. Because it got to a situation that this new coordinator guy, he has kind of brought it all together a bit more. We were all separate little units, and everyone kept firing their stuffs to the head office, and there was no one there to really coordinate. You need to have a coordinator when you've got at least 30 franchisees around the country, with the amount of information that we are producing, data, etc, you need to tie up together. I thought he runs really well. He's taking time to change things but it's moving forward, the head office wants it to move forward, and we want an easier life. We want a situation where, you know, it's going to be easy for us.

Researcher: You said you were the first franchisee?

Interviewee: I was the first one, yeah.

Researcher: I'm glad to be interviewing you.

Interviewee: Why?

Researcher: Well, it would be interesting to compare your responses with those of the people that are relatively new to the system, based on the different levels of experience.

Interviewee: Yeah, sure.

Researcher: Do you expect to get sufficient help from your franchisor, with respect to the problems that you are likely to encounter while undertaking future entrepreneurial activities?

Interviewee: Yeah, emm, what we have at the moment is because everyone is at maximum capacity at the head office trying to get this paper work out, etc. It's very difficult to tie people down because everyone is at their maximum level of work. They've got their own work to do up at the head office, running their own corporate business, because they've got their own business as well. And then, with us, we've got this problem here, how do I do that, whatever. Sometimes it's hard to find the right person to deal with it. Because this coordinator guy he is more like a marketing sales sort of person. So, he's kind of bringing us together with new ideas on that. If you have a bit of a technical problem, or paper work has gone missing, or whatever, it takes a bit of time to get someone to sort it out. But that's only because everyone is so busy, and it has suddenly happened that now all these guys have come on, and we are starting to get more work coming in, everyone is like machine, all wired up to a maximum. And when someone goes ill, sick, or leaves, the whole thing breaks down. Then, it takes time re-employing somebody to get it back up quickly. So, at the moment, they don't seem to have the breathing space, they don't have that extra person that is sort of just taking that pressure off them. They are always at maximum level, which means if something goes

wrong, I would say, if someone goes sick, the system falls back. It takes a while to get it back up again. But this lady left recently, was in charge of control, she phones up. and says look, it has been 40 days since we've last sent the invoice, could you please pay us? She has left now. So, there is no one chasing the money, which means they now have to employ someone to do that. Then, it takes 4 weeks to train someone up, get someone in, etc. That 4 weeks means 4 weeks we haven't got our money coming in. So, that kind of thing is quite crucial. So, they don't have any kind of, they try to, but, it's a lot of moving around of people, that's the hard thing about [Franchise Organisation C].

Researcher: What are the motivating factors for wanting to engage in more entrepreneurial activities in the future?

Interviewee: To earn a bit of money! We are not doing it for the love of it. It's to earn a bit of money at the end of the day. If you get it right, I mean, I'm finding that at the moment, I'm spending a lot more time, instead of testing, you know, developing the business, phoning these schools up, etc. And even if I get 3 colleges every four months, they are big colleges, and it means either I can go back and help out with that. The guys become more efficient with testing, so they are doing more numbers. I suppose one thing I should have mentioned, with them, the incentive I've given them basically is that, most guys just pay them wage, flat wage, that's it. I give them flat wage, and then, because they are doing so many items, after 900 items per week, which is basically breakeven plus a bit of profit for me, if they do more than that they get 40 pence per item. So, that gives them the incentive to test harder, work longer, so at the end of the day, they may do another 400 that week, so that's 160 pounds they can take in their pockets. So that drives them forward. I've kind of diverted what we were talking about. But, the main thing is for you to earn money, so you can have a bit of time off, and you know, enjoy life!

Researcher: With respect to the entrepreneurial activities that you are planning to undertake in the future, what would be the outcomes for your franchise outlet?

Interviewee: To earn more money, to make it easier. You see, when you start, the first time you are a franchisee, you are doing everything. But as you get bigger and bigger, then, you can start moving away. And then, it becomes a lot easier, the business becomes a lot easier, you can develop it more, and you can deal with all the little problems, etc. And you become on top of it, and it becomes easier for everyone. So, that's hopefully what I'm looking for really.

Researcher: Ok. With respect to the entrepreneurial activities that you are planning to undertake in the future, what would be the outcomes for your head office?

Interviewee: Emm, it's the sales, it's just the whole sales development. And with the new guy on board, it's for us to just create bigger business, and be the big, the best, and the largest testing company in the country. That's what we are all looking for really. And obviously they can earn some money, we can earn some bit of money as well.

Researcher: Does your head office have company owned outlets?

Interviewee: Yeah, they have that corporate work, so basically, they do all the central part of England and London, and Manchester as well. They've got 20 engineers doing all that bit, you know.

Researcher: What are the key factors that prevent you from wanting to engage in entrepreneurial activities in future?

Interviewee: Cash flow. It's not having the cash available to move things forward. If I had enough I would like to have like two people on the phone using the database, selling it. But the problem with that, though you create all the business, and you have all these paper work up to the head office to process them, you are trying to pay these guys, but they are not getting the money in because they will say it's too much work for them. So, you are in a

situation where your cash flow does not go very well. So, if you have enough, I'll just get some 2 or 3 people selling all day long. And once that creates the business, then, you can start employing more to move it forward. Someone did this when we first set up. There was a guy who went into Manchester, and he put nearly 70,000 pounds into selling. He just went for everything round the area. And he got a lot of business. But our head office just blew up, they couldn't cope with the amount of work going through to them. So, basically, they had to buy him out, and said, look, we can't handle you doing this, we've got to slow you down. They bought him out because he was creating a lot of problems. I mean because all these created so much work for them. Emm, they said, look, at the moment you are creating a lot of problems for us, so they got rid of him. So, someone who really grew it quickly for them, they got rid of him because they couldn't cope with it. That may sound silly, but it's a bit more than that because he was quite a difficult customer, you know, as a franchisee.

Researcher: We will now move on to the final part of the interview. Why did you decide to become a franchisee?

Interviewee: Necessity. The reason with that was that my wife and I moved to Suffolk. We decided we were going to start a new life, throw in our jobs, and we just moved to Suffolk, which is a quite little county near Norfolk. And it was lovely, but we had no work. We sold our house, we bought a nice little place down there. And I had a landscape garden business which was doing very nicely up around here, and I went to try and do the business down there, and it just didn't work. And we ran out of money, and we had to sell out. And my wife got very home sick as well. I love the lifestyle down there, it was great, she got very home sick. So, we moved back up, and just managed to get back into a small property, having sold out, lost a lot of money on the whole deal. And then, I was looking for job, and basically, the whole industry of landscaping I just didn't want to do it anymore. And this friend of mine said, look, I'm buying this franchise off [Franchise Organisation C], we are going to be the first one. Do you mind coming up and helping me running it. So, basically, someone offered me a job, which I thought, yes I'll have a go at this. So, that was the main reason. I was being employed initially, and then, after that, I then bought the business off them.

Researcher: You have already addressed the next question, which should have been, why did you choose [Franchise Organisation C]?

Interviewee: Yeah, yeah.

Researcher: There is this debate that franchisors are entrepreneurs, and franchisees are not. What are your views on this issue?

Interviewee: You have to be able to do everything, you have to be able to sell, run your business, employ people, which is what any business person does. So, you are starting a product, you have to move forward with hopefully the experience of your head office because they obviously have some knowledge of it, to a certain extent. But the fact that you have to do everything yourself, new ideas, how you set things up, your own problems, they can't always help you out there, because it's how you want to run your business. You set up your business, how you want it to be run by yourself. So, in that respect, you have to be entrepreneurial to do that. You have to have ideas to overcome problems, which the head office might be able to help you out, you see. But, as I said, it's how you want to run your business. So, yeah, for that sort of thing you need to be an all round person.

Researcher: Do you mean that all franchisees are entrepreneurs?

Interviewee: No, because you get some guys who are just quite happy to do just a little bit of work, you know, because they've got the money, they've bought it. There are two kinds of people, there are people who really want to move it forward, and then, earn a lot of money out of it. And there are some other people quite happy with the little money coming because they will be retiring in a couple of years time, or whatever, and it's something that they just take along with, to keep them busy. And we have a few of those out there. But, then, there is a few

of us who really want to move the business forward. So, there are those kind of people. So, you will always gonna find we are not all the same sort of level. You go in there, with even like 30 of us, you've got people that are very dynamic, and you've got people that are quite happy to sit there and sort of just pop along and quite happy with this. I don't need 50 engineers, I don't need all these hassle, one engineer working is good with me. It all depends on our financial constraints as well. If you've got big money around you, or you have money to live on, and this is just building a project for you to keep busy, that's a different situation than having to provide a livelihood for you and your family, you've got to make this work, if you take that choice to do it, as it's a big difference as to, you know, when compared to each other.

Researcher: Would you recommend franchising to someone else?

Interviewee: With a good product, yes. You see, if you find a good product that you liked, and you really want to do it, yes, I would recommend it, definitely.

Researcher: Are there any other issues that you would like to talk about?

Interviewee: No, not really, I don't think so, no.

Researcher: Thank you very much for your time.

Interviewee: No problem, no problem at all, it's a pleasure.

Researcher: Later in the year, I will send you a copy of the transcript of this interview. Please let me know if you have any comments on it?

Interviewee: Ok. Yes, fine, no problem at all. You've got my email address as well, so if you want to send something that's ok. Have I been of some use to you?

Researcher: Yes, you have.

Name of Organisation: Franchise Organisation C

Respondent's Name and Position: Franchisee C1

Interview Date: April 10, 2006

Location: Plymouth, U.K.

Start Time: 9.30 am

End Time: 10.42 am

Interviewee: Anybody else from [Organisation C]?

Researcher: Yes.

Interviewee: Who have you seen?

Researcher: I've not seen any other person yet. But I still have more to people to see.

Interviewee: We actually looked into quite a few obviously before you make a decision like that. My husband went to the NEC show and got round. But one of the key things for us is

that we wanted to be able to do it together, and a lot of them, there was no dual role, but this one fitted in with the dual role. So that was why we chose this one. [Organisation C].

Researcher: How would you describe the culture of your franchise system with regards to fostering or preventing entrepreneurship within the franchised outlets?

Interviewee: I would say it encourages it. It is quite open. What you actually have to do is all down to you. Although the actual process of what you do, the actual job, how you generate your customers and how you generate your own business is entirely up to you. So, it is quite free.

Researcher: Do you have to go and find your clients by yourselves?

Interviewee: Yes, yes. There are certain amount of customers that are nationwide. But any other clients that we want, we have to go out and get them.

Researcher: Since you said your franchise system is quite encouraging in terms of their entrepreneurship policies, in what way does your franchisor support you to engage in entrepreneurial activities?

Interviewee: That is quite limited. We had an initial training, which really just talked about which market sectors to aim at. So we've 3 sorts of groups of clients as it were. We have group 1 which are big organisations like councils, water authorities, health authorities, very, very big government run organisations. Then, we have group 2 which are ambulance, fire, schools. Again, sort of smaller government run organisations. And then, we have groups which would be anything. I think actually group 2 would be large businesses. So, in Plymouth we have Wrigleys, we have got the Dockyard, we have got a couple of quite large employers in Devon and Cornwall. And then, group 3 clients will be very small. So, they will be guest houses for us, hotels, doctor's surgeries, dentists, solicitors, accountants, small offices you know that again would need portable appliance testing done. So, those are your three groups of clients. So, anything that is council driven normally goes out to tender. So, they have to search the market place to find who is going to give the best service, and the best value for money, and not always the cheapest price, but who is going to be able to offer the service that they need. But that tends not to be the case in Devon. I will have to say I have not found that to be the case. I think it is a little bit more in Cornwall because their tendering does not start until 2007 because it normally comes in 3 year chunks. And then, the others they suggest just directly approaching them on the telephone. They didn't really suggest any other ways of actually going about that. But we have done some different things ourselves in order to generate business.

Researcher: Such as what?

Interviewee: My husband is running a website. Although there is a corporate website which says a little bit about the company, it doesn't say specifically about us. So, my husband has written our own website to generate business, which has generated a couple of pieces of business. We do two things. We do the portable appliance testing and we sell alarms for [another organisation]. So we have got two things running, and both are franchises. The difference being [Organisation C] you buy, you pay for your territory. The [second organisation] gives it to you but, and then, the difference is that [Organisation C] can't take yours away from you because you own it, you've purchased it. [The second organisation] can take it away from you because they gave it to you in the first place. So, if you are not performing, [the second organisation] will take it away. So, that one, you feel under a bit more pressure really, I suppose, to actually get it to work. So, the website covers both of those, and then the google searches, because of the alarms, my husband has put it up with big people who search for BMW or Mercedes because they are quite expensive. So, these people have got lots of money, and they are looking for those things. So, he has put it on so it pops up then. So, he has done that. I've also spent a lot of time on the telephone phoning people from lists which we have bought. So, I've done all the large companies in the area, which was a hundred and something. We've actually now been to see the council and they are going to

start doing some work with us. But that will be quite some small little bits as it were. The other thing that my husband has done is that he has actually gone out with introductory letters about us, and a price list, and has just literally gone round and knocked on the doors of all the local businesses, and actually given the information in, and we are going back to finish a doctor's surgery, which has been as a result of that. So, you know, that has worked as well, and because they make it seem that you are a local company, people seem to like dealing with local companies. So, although, we've got a big corporate image because we've got the uniforms, we've got the car sign written. We've got all of those big things that go with a big corporate image. We've got the advantage of being a local company and I found that when I've been speaking to the schools, they've liked it that we've been local.

Researcher: I'm sure we are still going to talk more about the entrepreneurial activities that you have undertaken. So, do you feel that your franchisor prevents or discourages you from undertaking entrepreneurial activities?

Interviewee: No, no. You did whatever you like.

Researcher: Are you given freedom in all aspects?

Interviewee: Yes.

Researcher: Does your organisation have any discrete or formal system, which allows franchisees to undertake entrepreneurial activities within their outlets?

Interviewee: No, not really. I mean with [Franchise Organisation C], the only thing they've recommended is the telephoning. With [the second franchise organisation], there are two things that they've sort of suggested. One is actually going out physically knocking on every body's door, saying are you interested in alarms, which my husband and our neighbour has actually done a great deal of, and has had a limited success. We did have a stand at the Ideal Home Exhibition in Plymouth in September just as we started, which worked relatively well, because, obviously people were just walking past, and you talk to them. So, one of the things they've suggested is setting up a stand at Homebase Do-it-Yourself outlet. So, we are actually going to do that. It is in two weekends time, which is like the May Bank holiday weekend.

Researcher: How do [Franchise Organisation C and the second franchise] function together?

Interviewee: It's both safety fundamentally, [Franchise Organisation C] do fire alarm systems, but not burglar alarm systems, commercially, and [the second franchise organisation] do burglar alarms commercially, but not fire alarms commercially. So there is a cross over there. But [the second franchise], really, for our market is primarily residential customers, and [franchise C] is purely commercial. So, there is tiny link in the fact that it's health and safety.

Researcher: Does your contract with [Franchise Organisation C] incorporate [the alarms from the second franchise operations]?

Interviewee: They are completely separated, but both of them know we do the other thing. Originally, we were doing [franchise C]. We were doing the portable appliance testing. Then, the opportunity with [the second franchise organisation] came up, and my husband thought, well, we would be foolish to turn it down since it is going to cost us nothing. So, we said to [franchisor C], look, we are thinking of doing this, is this ok under your terms and agreements? Are you happy with us doing this? And they basically said yes, we are, that's fine.

Researcher: Ok. So, they are separate.

Interviewee: Yes, they are pretty much separate. But it's just that we knew, because it was both of us that were going to be running the business, it has to be successful. Because at the end of the day we've got a family, as you can hear, and a mortgage to pay. So, we do need to make money. My husband just felt the more things we were doing, the easier that would be. And I have to say, getting the clients for [Franchise Organisation C], we found extremely

difficult, and quite tough, and it's been a lengthy process. Whereas, selling the alarm, if somebody agrees, it's very quick, and so the money for that comes through very quickly.

Researcher: The website that you were talking about that your husband designed, when he finished designing this website basically for your own operations, was [franchisor C] aware of it?

Interviewee: Yes. [Franchisor C] was happy with us because out of all their franchisees, I think they've got 27 now, I think we were the only ones who've done a website. But that is because my husband has got a very heavy IT background. [The second franchise organisation] has a number of dealers who have a website. [The two franchise organisations] are hugely different in the way they approach things. So, yes, [the second franchise organisation] has some definite things that they looked for, they went, read all of the website for the alarms, and they said we don't like this wording, you need to change it to this. Some of it they improved because they didn't feel we were putting them across very well. And some of it they changed the slangs, to make sure that it was very obvious that we were an authorised dealer, and not [the franchisor].

Researcher: Is it possible for you to give me the website address?

Interviewee: Yes, it is [www....co.uk].

Researcher: What do you think are the attitudes of the other franchisees in your system towards entrepreneurship?

Interviewee: We don't work together. Personally, I've only spoken to our nearest neighbours. Now, for some reasons, they fell out with us. They don't like us. We really haven't gathered why. We have a contract for West Country Ambulance Service that covers Somerset, Devon, and Cornwall, and they won that contract. And you know, we've never said we did anything towards it. And we didn't, because it started more or less as we joined the company. And obviously because of our contract with [Franchise Organisation C], we had the work to do in Devon and Cornwall; and they had the work in Somerset. Now, for the first year, they did a chunk of work in Devon, which we were a little bit, emm, hold on, that should be our work. Although, yes, you have won the contract but that's the areas we've paid to work in. So, that caused a little bit of friction, which we thought we got over because we said you could do quite a bit of it, and then, next year we'll do that bit. But I don't know, it didn't work out, and eventually we are not allowed to speak to them.

Researcher: Oh really!

Interviewee: So, we just went to the head office in the end. Head office actually organised a meeting and we had to travel to where the other people live, and the other people wouldn't even go to the meeting, which we were quite sort of shocked about. And I think [franchisor C] would be shocked as well that they had thrown their toys right out of the pram, and wouldn't come. But they are the only ones that I've had any dealings with. So, I don't really know all the others at all.

Researcher: Do you have any annual conference, or forum?

Interviewee: There was one. Yes. The franchisees for [organisation C], the actual number has mushroomed in the last 18 months. Because they brought in somebody who we originally dealt with, who was extremely good with targeting people to come on board. He was very professional in his approach, very professional in the way he spoke to you, and really gave you a lot of confidence in [Franchise Organisation C]. He has now subsequently gone. Because I think they brought him on board to really push the number of franchisees, and get them sold, which he has done quite successfully. So, he has subsequently gone. Emm, and the very first conference was actually in January, and unfortunately, we had already booked a holiday for that time the previous year, before we had even started with the franchise. So, we were unable to go. We would have gone, I think. My husband, before we started, did speak to about four of the franchisees about how they had found it, how they had found building the

business, and things like that, before we then decided we would go ahead. And that is something that [Franchise Organisation C] encourage you to do. They would give you a code so that you phone up the other franchisees, and say, look, I'm thinking of joining [Franchise Organisation C], my code is blarr blarr blarr, and then, they know they can talk to you freely about everything.

Researcher: Did you choose who to talk to yourself?

Interviewee: Yes, you can choose. Because we actually spoke to somebody who was very unsuccessful, and has subsequently now left the company. But he was doing absolutely no marketing at all. He was just sitting there waiting for [franchisor C] to give him all the corporate work. Now, that's fine, [Franchise Organisation C] will, to a certain extent, let you do that because after all you are covering their piece of the country that they want you to cover. But at the end of the day, that is not really what they want. They want you to grow it, so that the name of the company grows as well.

Researcher: Since you said you have never attended any conference that the organisation has done, how often do you go to the head office?

Interviewee: We've only been once. Because of geographically where we are. We are in Plymouth, and the head office is in Milton Keynes. It's a long journey. So we went for a week's training initially when we first started, and that's the only time. Well, first of all we went to talk to them about buying a franchise. Then, we had another meeting there to actually sign all the paper work, and actually to buy the franchise. So we had two meetings, and then, we've been up for a week's training.

Researcher: Do they get in contact with you frequently?

Interviewee: We contact them. They are not particularly good with communication. I mean I send e-mails quite regularly but I probably would get an answer, may be to one in four.

Researcher: Ok. So, that leaves us with the fact that you have just limited relationships with the other franchisees?

Interviewee: A franchisee called Cathy who has been doing it for a long time, she is actually based somewhere in Reading or Woking, somewhere in that area in Berkshire, has been running it for quite some time. They've got two businesses. Her husband runs a printing business, and she runs [Franchise Organisation C]. They've got a very close relationship with the head office, and she goes there quite frequently, and she is sort of the voice of the other franchisees, if you like. And there is a meeting in a couple of week's time. She has e-mailed all the other franchisees, and said, look, I'm going to the head office to put your views forward, have you got any problems? Is there anything you are struggling with? And there are a couple of things I'm going to say to her. And the, she'll go and put those to the head office. So, there is a forum. They are also trying to get some area meetings. They have split us into 3 areas. We are lucky Cathy is the head of our area. So, we are hoping that at some point, we would have an area meeting. So, that would be quite interesting to go, to actually, yes, speak to other people.

Researcher: How would you rate Cathy's engagement in entrepreneurial activities?

Interviewee: I don't know. But I believe she is successful. So, but I don't know. There are a lot of other franchisees that are a lot more successful than us. But the people who are actually based in Suffolk we thought they are in good fortune. Suffolk County Council controls everything themselves. So, they approach Suffolk County Council, and through perseverance with diligence, got them to give them the contract that covered everything. That was all. Hospitals, schools, libraries, everything run by the council they now do all the testing in. So, it was something like 200,000 tests.

Researcher: And they got that themselves?

Interviewee: Yes, well, [franchisor C] would have helped them. [Franchisor C] would have gone to some of the meetings. I mean, if I was to say to [franchisor C], that the Police Force, which is somebody I'm talking to at the moment, I've got a meeting with them, will you come down. So long as I give them enough notice, they will come in on that meeting, and put forward all the good things about using [Franchise Organisation C]. So, yes, we can have the support if we want to. We haven't gone that far yet, but I know, things like, they did do a presentation to the Ambulance Service, which is one of the contracts that we help in working with, and they did do a presentation to people like Suffolk Council, and the Police Force for Somerset and Avon, and again, they came and did the presentation with that Police Force to get that business. So, they will. Yes, I can ask them to come and give us more support. But it just haven't been relevant at the moment. And, in fact, we had two meetings last week, and we said have you got powerpoint presentations we can use? The first thing the business development director said to me on the phone was, "Oh, I'm not going to be able to come down and help you because you haven't given me enough notice", and I said I wasn't phoning to ask you to come down and help us. Thank you very much. We just wanted a powerpoint presentation and we just figured you must have one. So, rather than us sitting wasting hours of our time putting together one, can you just email over yours, and we would use it? So, they did. We doctored it a bit to make it a bit more personalised to us, and then, we used those slides.

Researcher: I think it's quite interesting because for your operations you really have to go out to market the company in order to get customers.

Interviewee: Yes. Because we are business-to-business. If it was business to the public, you tend to wait for them to come to you more. If you've got a shop front that's your selling tool, isn't it? And you wait for people to come in. So, yes, is that what you mean?

Researcher: Yes, because like you mentioned, the guy that was unsuccessful, maybe his own assumption was that [your franchisor] has to provide all the customers. But didn't they make that clear initially?

Interviewee: Absolutely, O yes, yes. Initially when we started they said we would provide you with about 25 percent of your business. Obviously that is a figure plugged out the air because it depends on how successful you are as to what percentage it actually performs, and how much corporate business that they win that actually falls within your area. I mean, that's quite an arbitrary figure, I think. But, I mean, at the moment I would say they probably provide, if you take the ambulance work away, they are probably providing us with half of the business that we've done.

Researcher: Half?

Interviewee: Yes, but that's because our sales have not been tremendously successful yet. It has been a very, very slow process, much slower than we anticipated. But things are moving on now. And I can see from the groundwork that we have been doing and from the calling I've been doing. So, we are getting the meetings, and getting in touch to see people and finalise as to whether or not they want to use us.

Researcher: I think you are still relatively young within the system, from your questionnaire?

Interviewee: Yes.

Researcher: Generally, how easy or how difficult has it been?

Interviewee: No, it has been hard, its been harder than we had anticipated. So it has been more gentle, gentle, calling them, getting to find the right person to speak to, is quite an art. Sometimes it has taken me 3 months of calling a particular company to actually speak to the right person. Because they give you a name, they are not available, you phone again the following day, and they are still not available. Eventually then you get to speak to them, then they say no it's not me, it's somebody else. Emm, and then, you try and get hold of that somebody else, and it is a long windy process. I hadn't anticipated people would be so

difficult to get on the phone, I think. Because it is not a need they necessarily perceive they have. It's something that is already going on, and it is something that you can, maybe, improve on. Emm, you know, it is not something that they are looking for.

Researcher: How do you know who to target specifically?

Interviewee: First of all, I go and talk to the health and safety people because it would fall under their umbrella. Sometimes, it is them that organise it. And then, if it isn't them that organises it, they would tell me who does.

Researcher: Now, we will move on to the general issues about entrepreneurship. What do you understand by the term entrepreneurship?

Interviewee: Oh! Creativity and actually going out and getting customers, ideas.

Researcher: What about an entrepreneur?

Interviewee: Oh! Somebody with a lot of get up and go em, em, you know, enthusiasm and believe in themselves, I think, as well. I think of people like Richard Branson, don't you? And a few others. Anita Roddick, she was another one, wasn't she? Those are the two icons that are always held up on. Anita Roddick started making soap in her kitchen, didn't she? They had an idea of a product and everything. We haven't had the idea for the product. We haven't invented this. This is where the franchisee gives you that creative bit. I mean, I've been talking to the councils, and the police, and people like that. They wouldn't talk to me if I didn't have the back up of a big organisation. As soon as I can say, o yeah, we are currently testing for the Metropolitan police, they are interested in what we are doing.

Researcher: Basically, you deal with the health and safety departments of different organisations?

Interviewee: Yes.

Researcher: How do you get those organisations?

Interviewee: The yellow pages and door knocking.

Researcher: Would you describe yourself as an entrepreneur?

Interviewee: No, I don't think so. Not in the stricter sense of Anita Roddick and Richard Branson. Probably in as much as em. I suppose we must have a bit otherwise we wouldn't have done it, if we didn't have enough to actually start. I mean, lots of people would say this is not for me, I can't do it, it's too dangerous, or not secure. Yeah, so, we must have, to a certain extent. But not from the point of view of inventing a product, or inventing a company.

Researcher: In terms of the franchise concept and entrepreneurship, would you regard a franchisee as an entrepreneur?

Interviewee: Only to a limited extent, yes.

Researcher: Which is?

Interviewee: The fact that they've got the courage to set up and run their own business. So, you do have to have a certain amount of creativity in order to be able to do it. But not from the point of view of creating the concept of a product. We haven't invented the product, we've taken on board the product from somebody else.

Researcher: What about the controls? Because I know there may be controls from the head office indicating what, and what you should do. Would you link the controls to the fact that they restrict franchisees' entrepreneurial activities?

Interviewee: No, we haven't found that to be the case. Most of what we wanted to be doing, especially with [organisation C], you are just given a free rein to go off and do it.

Researcher: We will now go on to discuss the entrepreneurial activities that you have undertaken. You have mentioned the website.

Interviewee: Yes.

Researcher: The next series of questions will be in three parts: the entrepreneurial activities that you've undertaken in the past, those that you are undertaking currently, and those that you anticipate undertaking in the future.

Interviewee: Alright.

Researcher: Starting with the ones you've undertaken in the past, could you please tell me about such entrepreneurial activities?

Interviewee: We had a stand at the Ideal Home Show.

Researcher: Ideal Home Show?

Interviewee: Yes, which was a local Plymouth thing. We've gone door knocking. We have the website. I've been doing the telesales. I've done a couple of mail shots. Emm, we've been handing out leaflets. So, I think that's about it.

Researcher: Could you please tell me the process that you go through in order to do these things?

Interviewee: I mean, I didn't have to generate any literature, because that already exists. So, brochures, leaflets, we just used those that [organisation C, and the second franchise organisation] have already got in place. The only things that I've put together is a few letters, which again, I've based on some of [organisation C's], that already exists, and I've adjusted them because some of the wordings are a little odd. The website, my husband has designed from scratch. That's his own invention. I mean, I would say, out of the pair of us, he's probably more entrepreneurial than me. But he wouldn't do this interview.

Researcher: Why is that?

Interviewee: I don't know. Because I am a teacher, I was a teacher before, you see. I would say, anybody who is doing research, or learning, is really important. Because that is my background. But he would say, no, you should be spending your time doing something that will make money for us, not helping somebody else.

Researcher: Thank you very much for your help. I'm very grateful. When you are doing all these entrepreneurial activities, in terms of the website, home show, telesales, who are the individuals that are usually involved?

Interviewee: Only us.

Researcher: Just your husband and yourself?

Interviewee: Yes, yes.

Researcher: What problems did you encounter while doing all these entrepreneurial activities? We've obviously talked about some of them.

Interviewee: Just keeping the motivation going because, you know, we've had such limited successes at the moment. With the website, one of the agents from [the second franchise organisation] only sells alarms through the website, and he is tremendously successful, and sells about 30 a month. But we have only sold 5 in six months, and we've had no enquiries through the website, whatsoever. So, my husband has found that very frustrating – why are people not ringing us through our website, when our website looks, you know, quite good. And he keeps going back comparing it to theirs. I mean, he spent some time this weekend with his friend. So, he said, you come up and have a look at it and see what you think. What would you think as a user of this website? What do you think we can do to improve it? That has been quite odd really. So, just keeping the motivation going.

Researcher: What about the problems you've encountered with the telesales?

Interviewee: Yeah, again, just keeping going. Finding the right people, and actually getting them to answer the phone.

Researcher: The Ideal Home Show that you mentioned, what did it involve?

Interviewee: Basically, we just booked a stand with the pavilion, which is in the middle of Plymouth. We went, [the second franchise organisation] provided us with some posters. I mean, I've done exhibitions before with the companies, so we just put up some company literature, and just stood in front of our table, and asked people if they were interested in home security as they were passing by. And then, talked to them about the [alarms that we sell for the second franchise organisation]. And we got about 12 appointments from that exhibition, and then, sold 3 or 4 systems from those. Oh! Sorry. One of the things I didn't say we've done is, we've also hooked up with a marketing company. She's a lady, oh she's got marketing experience. So, she has been doing some mail shots for the alarm. This is purely for the alarm side of things. Emm, and following up doing telesales to the public. Helping doing telesales to the public. I don't mind doing business-to-business, not the public though, they are harder. And, emm, we've had a few leads from her, which my husband has then successfully sold the systems to them.

Researcher: With regards to the Ideal Home Show, you said you got 12 appointments, and then sold about 4 systems, as a result of the exhibition. Would you rate that as a successful outcome?

Interviewee: Reasonably. We covered our costs, and a little bit extra. We would have hoped probably to have made a little bit more. When first starting out a company it's difficult to be confident, and to know all the answers. My husband is far more successful now at doing presentations to people, and actually getting them to sign up to our system than he was when we first started out. But that is experience, he is growing confidence with doing it. So, I would think if we have 12 leads now, we get 6 sales, rather than sort of 3 or 4.

Researcher: In general, how do you overcome all these problems?

Interviewee: Oh, gosh! Just talking to each other. My husband is Mr Pessimism here, I am Mrs Optimism here. So, sort of in the middle is somewhere, is reality, so half way between us. So, when he has been doomy gloomy, and it will never work, we can't do it, and you know, let us pack up and go home now, and I will say, no, no, look, this is what I've got in the pipeline, this will all happen, we only need about 5 contracts, and I've been speaking to at least 10 different people, we can actually make a living. So, you know, it should work.

Researcher: The lady that you mentioned, who owns the marketing company, how often do you have to interact with her?

Interviewee: We must speak to her every week. What we actually organised with her is that we only pay her for the leads that she gives us, not how much activity she has done. Then, we give her more money if each leads then turns to a sale, which she's perfectly happy with, which has worked well for us because we are not paying money for something that may, or may not, work. She had complete courage in what she was doing, knew it would work, and therefore, was quite happy to say, ok, if you pay me per lead, emm, that would be sufficient. So, no matter how much she actually does to generate each lead, we only pay per lead. So, emm, we probably speak to her about once a week.

Researcher: When did you start interacting with her?

Interviewee: Probably only a couple of months ago. It's quite a recent thing. She has only recently started doing it.

Researcher: How long do you envisage you will be staying with her organisation?

Interviewee: Well, if she is happy to carry on doing it, and giving us the leads, then, we'll carry on forever.

Researcher: It is not as if she signed a fixed contract?

Interviewee: No, no, no. Because she is like us. She works on her own. She has somebody that comes in and helped her sometimes. So, you know, you know, she is quite happy with that sort of business. But it's not the only thing she does. She also does some PA work, and that supports her with more income than what we are doing.

Researcher: In total, how many of the leads from her have turned into sales for you?

Interviewee: She has generated, emm, 3 leads so far, 2 of which have turned into sales.

Researcher: So, she basically searches for the customers for you, and then approaches you?

Interviewee: Yes. Then, my husband goes and does the presentation.

Researcher: In terms of the problems that you encountered while undertaking those entrepreneurial activities, did you get help from your franchisor? Remember, we are still talking about those things you've done in the past.

Interviewee: Yes. Emm, a little bit.

Researcher: In what sense?

Interviewee: In speaking to them, they suggested, because we haven't had much joy with the telesales, changing the script, which I didn't do because I was happy with it. Just really keep, you know, just saying, well you know, keep going, it does work, sort of thing.

Researcher: Apart from the telesales, have you sort of complained to them about any other entrepreneurial activity?

Interviewee: Emm, no. We've moaned a little bit, and they've sort of said, you've got to keep going, and it will happen. [Our second franchise head office] man did come down and spend 2 days with us. And then, you know, trying to gear us up, give us some ideas, see what we've been doing in order to know if there is anything else we can actually be doing. He was actually impressed with our level of activity, and was like, well, I can't believe, you know, that it is not working more. But then, it is the area that we are in. It is not a particularly rich area. I think the average salary in Plymouth is something like 11,000 pounds. So, it is very low.

Researcher: Really?

Interviewee: Yes, we are sort of, right on the edge of the country. There isn't as much business down here. As a consequence, the salary is much lower.

Researcher: So, apart from those times when you've called your head office about the telesales, and they suggested that you should change the script, are there any other entrepreneurial activities that you've talked to them about? In terms of the problems you've encountered?

Interviewee: Not really, no.

Researcher: What were the key motivating factors for engaging in such entrepreneurial activities?

Interviewee: For us?

Researcher: Yes.

Interviewee: Because my husband is originally from Plymouth. We've moved back, or he has moved back, and he knew the job situation in Plymouth was not particularly great, which was why he had moved in the first place. Emm, we've moved back because my parents are elderly and live locally, relatively locally. His parents live too. So, we've got a bit more of family network. Emm, so we thought, you know, well, if we want a guaranteed job, let us buy one ourselves. And, emm, work from there, which is why we went down this road.

Researcher: In terms of specifically doing the telesales, Ideal Home Show, linking up with the marketing company, and creating a website, what motivates you to do all these activities?

Interviewee: Because we need to earn money, yes, yes.

Researcher: With regards to each of the entrepreneurial activities that you've undertaken in the past, what were the outcomes for you?

Interviewee: Well, basically, I've generated a list of who to have their testing done, and when. So, when it's approaching the time now when they don't have their testing done, I'm going back to them to see if we can go out and actually do it for them. So, it's purely generating customers. The leafleting hasn't been really successful. My husband going out door knocking and actually leaving cards with people has generated some work, and we've got to get back to the doctor's in a minute. So, yes, that has had some degree of success.

Researcher: What were the outcomes of your entrepreneurial activities for your head office?

Interviewee: With the franchise agreement, we go and do the appliance testing for [Franchise Organisation C]. They then do the processing of all the paper work, and raising of the invoices. And then, they invoice us for 15 percent, 1/5 of the total invoice for like a handling charge. So, we are generating more income for them.

Researcher: We will now move on to the entrepreneurial activities that you are doing presently.

Interviewee: Ok.

Researcher: After that, we have the final part, which are those entrepreneurial activities that you envisage doing in the future. Can you tell me about the entrepreneurial activities that you are doing presently?

Interviewee: It's basically the same. I mean, instead of the Ideal Home Exhibition, we are going to have, Oh! that's going to, not what we are doing at the moment. I'm organising at the moment. It's difficult what you are doing, and what you will be doing, because, you know, we sort of work ahead. Emm, it's more of the same, the telesales, the door knocking, leafleting, emm, that's it. Just carrying on. We are generating a few more meetings now, which is helpful to actually get in front of people because you can talk them through the process, and then, you know, show them. I mean, I know from what we've seen and what other companies have done for the portable appliance testing, our methodology and dedication, and emm, integrity, is far greater than a lot of the competition. Because we've seen people that have been testing things that didn't need testing, and have just got in very, very quickly. For instance, the doctor's surgery that we are doing at the moment, the last company went in last year, was there for 2 hours, said they tested a hundred things. We've been there 2 days, and we've tested nearly two hundred items. They haven't bought a hundred items in the last 12 months. And certainly, we could not physically test a hundred items in 2 hours. If you do it properly, it takes longer. And we believe that we know that we do it properly. We do follow the rules and guidelines that are laid down by the IEE, which is the Institute of Electric Engineers, or something, and they specify how it should be done. And we know we do it according to them because that's what [our franchisor, C] has insisted we do, to do it professionally.

Researcher: You said you used to be a teacher. How come you are good with the electrical related job?

Interviewee: Well, emm, being a teacher you are a professional person. You have the integrity to do, you know, to deliver the content of what, you know, the exam syllabus set says you deliver. What I'm doing now is, this is what you should deliver, this is what you should be doing, I have the professionalism to do it, and to not cut corners, and to do it properly. So, to that extent, the diligence is the same.

Researcher: Are you encountering any problems with regards to the entrepreneurial activities that you are undertaking presently?

Interviewee: It's just the same, carrying on.

Researcher: Do you overcome the problems through the same process?

Interviewee: Yes, just keeping going on and trying to keep up.

Researcher: Are you getting help from your franchisor presently with regards to the problems?

Interviewee: Emm, they do a little bit of telesales for us. We did have their telesales girl did a day's calling for us, which I found extremely interesting because she does a lot more calling than me. But then, she doesn't do anything else. I've got a lot of other things that I also have to do. She made just about 80 telephone calls, and she got through to about 20 people, and she sent out, I think 10 quotes, which I've subsequently followed up to absolutely no avail. But I would say her success rate is probably less than mine. So, that to me, showed that, although I didn't necessarily feel that the telesales had been going particularly well, it showed to me that when an expert who does it all day, everyday, did it, she had the same results. So. I'm not that bad.

Researcher: And yours were even better?

Interviewee: Yes, to a certain extent. But a lot of it, it's not the first phone call, it's not the second phone call, it's not the third phone call. It might be the fourth or fifth or sixth that, you know, you start sort of making in route into it. Apart from the school that I phoned up, and they said, oh yes come and do it tomorrow.

Researcher: How many sales did you record from that lady's calls?

Interviewee: None, at the moment. But some of them said Oh! I haven't seen the literature, I haven't seen the information, and I've re-sent it. And I know re-sending it, and then, talking to them again, you know, can slowly get somewhere.

Researcher: What are the key motivating factors for undertaking the current entrepreneurial activities?

Interviewee: Because we need to earn money.

Researcher: With regards to each of the entrepreneurial activities that you are currently undertaking, what are the outcomes for you?

Interviewee: Yeah, emm, at the moment I suppose I'm generating meetings, which then hopefully will generate business. But some of the telesales that I'm doing will just generate business without anything else in between.

Researcher: So, none has really generated sales?

Interviewee: Oh! Little bit, some has.

Researcher: What about the outcomes for your head office?

Interviewee: You know, once basically, once we get business they then take 15 percent off of what we actually do. So, the more successful we are, the more money we make for them.

Researcher: We will now move on to the final part of the interview. What entrepreneurial activities are you considering to undertake in the future?

Interviewee: We are considering taking part in the Devon County Show, and the Cornwall County Show, which would be a bigger span of people than the Plymouth Ideal Home Exhibition. But along the same sort of lines. We are going to go and set up a stand at Home Base for the May bank holiday weekend. Emm, for [Franchise Organisation C], I just want to, you know, keep doing what I'm doing and organise meetings.

Researcher: So, the Devon County, Cornwall County, and Home Base shows are not for [Franchise Organisation C]?

Interviewee: No, they are for [our second franchise].

Researcher: What about for [Franchise Organisation C]?

Interviewee: Just carrying on with what I'm doing, the telesales, and the sending out of letters. It is working; it is just a slow process.

Researcher: How much of your time do you devote to [Franchise Organisation C's] activities?

Interviewee: Oh! Most of it. There tends to be quite a split actually. My husband spends most of his time doing the alarms for [our second franchise], I spend most of my time doing the telesales for [franchise C]. But then, when we actually get work for [franchise C], we go and do it together. I mean that's one of the nice things. Also, you know, we wanted to be together.

Researcher: That sounds good.

Interviewee: And we do enjoy working together. I mean, it's quite odd really because it's your partner, you can't, I suppose, yeah, there are no barriers to getting crossed with them and being rude to them because at the end of the day, they are your partner. But I think because they are, you tend not to, because you know them so well. We do work well together, we are a good team. We are, you know, he's Mr Negative, I'm Mrs Positive. We are complete opposites in lots of things. But when it comes to going out and doing the job properly, and being professional, sometimes I'm saying just do it like this, he goes, no that's not, you know, then my husband will say, no, no, that's not what we do. My husband will sometimes say just do it, and I'm going, no, we can't do it like that. This is what we've got to do. So, we keep one another on the straight in their own.

Researcher: That's good, you have to complement each other.

Interviewee: Yes, not you know, being two employees, and not caring about the company. Because we are the company, we are passionate about it. Because at the end of the day that's what is going to feed us, and keep the roof over our heads.

Researcher: What processes are you going to take with regards to undertaking all these entrepreneurial activities? I know you have already mentioned some of them.

Interviewee: Ok, with the telesales, I'll just carry on doing what I'm doing.

Researcher: You are not going to change your strategy?

Interviewee: No, no. Because I think it is slowly working. I believe what I'm doing is the correct thing to do.

Researcher: Are you likely to have any problems with the entrepreneurial activities that you want to do in the future?

Interviewee: Emm, well, money is the limiting factor. I mean, if we could afford a full page advert in our local paper everyday, then, I'm sure we would get some people buying an alarm through that. But it would cost us far more to advertise without running a small advertising campaign in the local paper. But it is horrendously expensive. If that, you know, if money was not an issue, how much money we could plough into marketing, then, you know, yes, that would help us. But it is limited, and we do have to be careful, and try, and make sure whatever we spend out in marketing we are going to recoup from sales.

Researcher: Do you advertise for [franchise C] too?

Interviewee: No, we just advertise for the alarms. [Franchise C] really is going to be just the telesales. Probably if I could afford a few thousand pounds, and employ somebody, and mail shot every single company, or every single person, you know, in the whole of Devon and Cornwall, emm, then, yes we would get some sales from it. So, if I had a telesales team doing

all the calls, rather than just me, it would be quicker. The success rate would be quicker. But because I don't have that kind of financial backing, it has to be slowly just me doing it.

Researcher: Apart from money, are there any other problems that you envisage?

Interviewee: Emm, no. No, I don't think so.

Researcher: Do you expect to need help from your franchisor for these problems.

Interviewee: Yes, yes.

Researcher: What kind of help do you think you would need?

Interviewee: Just, I mean, we went to the meeting as I e-mailed them saying we were going to the meetings, someone phoned me, so yes, then, they did email us to ask how it had gone. So, you know, it is just that sort of encouragement. Somebody sort of watching and talking in the background.

Researcher: What are the factors that motivate you to want to engage in these entrepreneurial activities in the future?

Interviewee: Just the same, as before.

Researcher: What are the outcomes that you envisage from your future entrepreneurial activities, for your outlet?

Interviewee: That we would be, you know, that we would run a business that can support us.

Researcher: What about the outcomes that you envisage for your head office?

Interviewee: We would make them more money, won't we?

Researcher: Are there any other key factors that hinder you from wanting to engage in entrepreneurial activities in the future?

Interviewee: Oh! No, just money.

Researcher: Do you have any other issues that you would like to discuss?

Interviewee: Emm, no, no. I think that's it. No, the only thing from our point of view is that it has been slower than we had anticipated. Perhaps I think it's just the nature of the business that we've gone into. One of the things that we looked into doing was Lettings. But you needed a high street location to get people walking in off the street. So, the overheads on that will be prohibitive because you will need, you know, to actually buy the franchise, and then, you've got a huge setting up costs, haven't you? When you can buy McDonald's franchise, but it's something like 150,000 pounds. I mean, it's massive amount of money. But then, you know pretty much well it would work.

Researcher: Would you say you have been happy with the franchise?

Interviewee: Yes, yes. I think they could have been a bit more proactive in supporting our telemarketing, I suppose. For want of a better word, I think they could have offered, emm, they've got 2 or 3 people in their telemarketing team. Perhaps it would be nice if they said, yes we would give one day a month to each franchisee to help them with that. But at the end of the day they actually run London area, and their telemarketing team is getting their engineers business, as opposed to trying to get it for us. That I think would be good, if they would be able to do that, that would really be a big boost to me, and to everybody.

Researcher: Thank you very much for your time.

Name of Organisation: Franchise Organisation C

Respondent's Name and Position: Franchisee C3

Interview Date: May 8, 2006

Location: Carlisle, U.K.

Start Time: 1.20 pm

End Time: 2.40 pm

Researcher: Do you think your franchisor wants you, the franchisees, to engage in entrepreneurial activities within your outlets?

Interviewee: Emm, I think they don't want you to be too adventurous, they want you to stay within the field of the franchise, but to expand the business as best as you can within the fields that they operate.

Researcher: Does your franchisor encourage entrepreneurship within the franchised outlets?

Interviewee: No.

Researcher: Why do you think that is the case?

Interviewee: They like to keep control of the franchisees.

Researcher: Since you said your franchisor does not encourage entrepreneurship, in what way does your franchisor prevent or discourage you from undertaking entrepreneurial activities?

Interviewee: Could you repeat the question again, please?

Researcher: In what way does your franchisor prevent or discourage you from engaging in entrepreneurial activities?

Interviewee: Can we carry on and maybe come back to that one?

Researcher: Ok. The next question is linked to the previous question, but let us see if you will be able to answer it now. Does your organisation have a formal system which allows franchisees to undertake entrepreneurial activities?

Interviewee: Emm, they allow you to have a certain amount of entrepreneurial, they like you to develop your own business and work with as much freedom as possible. But they also like to know if you are working with the major organisation, and so, they sort of restrict you a little bit.

Researcher: So, there are no formal procedures at all for entrepreneurship. For instance, if franchisees come up with innovative ideas, are there any procedures in place for them to follow?

Interviewee: They have just started a thing called a forum where the franchise manager and a representative from the South East, the South West, and the Northern region, go and have a meeting, it's gonna be once or twice a year, to talk about developments and anything that the franchisees want to try and bring in, or develop, or expand. But that has only just started in the last month, really.

Researcher: Just last month, and have you had any of such meetings at all?

Interviewee: Yes, I was the member for the Northern region. It's early days, yeah, I think. There is a lot of getting the air cleared.

Researcher: What was the purpose for setting up that forum?

Interviewee: The purpose of setting it up?

Researcher: Yes, why did the franchisor decide to set up the forum?

Interviewee: Emm, I think they probably had a yearly meeting where everybody went and had a few drinks, and whatever. But this was a formal way to talk about problems that there were in the business, and take ideas forward, and see what the franchisees thought about what the corporate bit of the business was doing, and also for us to put ideas and get them discussed.

Researcher: Do you know whose idea it was to actually start the forum?

Interviewee: Not really, no.

Researcher: So, you are not sure whether it was the franchisees that came up with the idea of having a forum?

Interviewee: Maybe, it could have come from a lot of frustration with the corporate side of the organisation over the years. But since I've only been in the franchise for just over a year, it's hard, the whole background.

Researcher: It's quite hard?

Interviewee: Yeah, it's, emm, it's a lot of history went on. I don't know the full story.

Researcher: Ok. We will now talk about the attitudes of the other franchisees within your system. Do you get the impression that the other franchisees want to engage in entrepreneurial activities within their outlets?

Interviewee: Most people want to develop and expand their businesses, and they want to try and use whatever means possible they get to grow the business, and frustrated by the corporate side of it, the head office side of it. Because they run, emm, there is the franchise side, and then, there is the corporate side that operates mostly in Central London, and there is a bit of conflict between the two at times.

Researcher: So, the head office has some company-owned outlets where they also carry out electrical testing?

Interviewee: Yeah, especially big organisations like the Metropolitan Police, and that sort of thing.

Researcher: Where are their outlets located?

Interviewee: I think they picked the original areas where [Franchise Organisation C] was set up 30 years ago. And they have carried out those areas because it's obviously very lucrative for them. And they are trying to let off the rest of the post codes.

Researcher: Could you please tell me how you operate as a franchisee?

Interviewee: Emm, I get some corporate work from national companies that [Franchise Organisation C] has acquired. So, when they've got work in my area it comes to me. And the rest of it is found by me, really, by calling customers, and developing business links, going to Chamber of Commerce, BNI, and networking meetings, anything really, meeting up people in the pub.

Researcher: Do you have other employees working for you?

Interviewee: No, I'm a sole trader at the minute. I'm looking at maybe getting, I'm trying to get somebody to do some telephone calls for me. Because if I am telephoning, I'll be out working, chipping in and out really. So, if he can get me the contacts, or get me some

business, then, it means I can be at work, and so, I can get more business. It's whether you can afford to do it, or not.

Researcher: How do you get the contact details of the organisations that you call?

Interviewee: Emm, lots of ways. Emm, sometimes you call up, and just ask for the person that organises the part-testing, and sometimes, I've got some directories from the Chamber of Commerce, and things like that. Also, if we are doing the schools you contact the headmaster. And I've been looking at Thomson Direct, they've got a website, and they can tell you the size of a company, their turnover, how many employees they have, that sort of thing. There are lots of tools that you can use. And the other thing is doing mail shots, and anything really.

Researcher: Do you do appliance testing for private homes?

Interviewee: No, I can do it for landlords but usually they get their own electricians to do it.

Researcher: Do you feel your franchisor wants you to be entrepreneurial with your marketing activities?

Interviewee: They don't encourage, they don't give guidelines. You are left very much to your own closets, they don't encourage, they would like you to do well but they don't encourage.

Researcher: You said you normally have an annual conference once a year?

Interviewee: Once a year, yeah.

Researcher: Have you ever been to one since you joined?

Interviewee: Yeah, January.

Researcher: How was that?

Interviewee: It was very nice to meet other franchisees who I've never met before. On the first day, there was a dinner in the evening, and few glasses of beer, the usual. And workshop the next day, on Saturday. And I think time could have been better spent in other ways. They brought a franchising expert in to tell us what we already knew, that was my opinion, instead of developing ideas and bringing new ideas in. And there were a couple of presentations. It could have been more professionally done, I think, certain people were suffering from hangovers from the night before. So, emm, it was good in some ways, and bad in others. But not as profitable as it could have been in my opinion, and other people thought that as well.

Researcher: Was there any feedback from the franchisees?

Interviewee: There was a feedback, yeah. And they've decided, I think, to have the party after the conference rather than before. So, that's maybe a sensible thing to do where people will not have to worry about what they have to do the next day, or whatever.

Researcher: Has any franchisee ever come up with any entrepreneurial/ innovative idea?

Interviewee: There has been a few developments recently where people have tried different things and tried new equipments, or forced [Franchise Organisation C] to have a look at new equipments. But that's about it really, I would say in my short time, that's about all I know about that.

Researcher: What were the new equipments?

Interviewee: How you test, emm, yeah, kettles, microwaves, computers, whatever. And like everything, technology is moving faster and faster, and we are still using stuffs that are maybe 2, 3, 4 years behind.

Researcher: I was trying to determine whether those sorts of activities could be regarded as entrepreneurial.

Interviewee: Well, somebody has obviously looked at it, and thought this is a good idea, and kept pushing people at the head office, directors at the head office. to have a look at it forward. And one of the directors has been looking at advances as well. So. it's a bit of 50/50.

Researcher: Can you say the outcome of that yet?

Interviewee: Emm, they've tried to adopt a new piece of equipment but from the grapevine it hasn't been very successful. It hasn't been properly field tested, and they get lots of problems, and they are losing results. After they've tested things, the results are stored on the machine, and the machine is crashing, and that sort of thing. So, it hasn't been properly field tested. So, and they are fairly big companies as well that are developing these testers, so, it's maybe, a bit of trying to get it all done to market quickly, or sooner than they are ready for it.

Researcher: So, the new equipment is actually a tester?

Interviewee: Yes, a new tester, and a new, probably, computer operating system as well, for how you download results and send them in.

Researcher: Do you have to send the results to the head office?

Interviewee: Yes, you send the results and all your paper work to the head office, and they raise your invoices, generate the invoices, and are supposed to manage invoices that are outstanding, and things like that.

Researcher: What is the new equipment supposed to do?

Interviewee: The new system and everything is supposed to speed things up, and help everybody. But if it does, or not, we need to wait.

Researcher: How long do you envisage that you have to wait for?

Interviewee: It was brought in March this year. So, it's still very, very early days.

Researcher: The actual idea came in March?

Interviewee: The new equipment was realised in March this year.

Researcher: Would the equipment only be used by the franchisees within [Franchise Organisation C]?

Interviewee: No, it's going to be used by anybody they can sell it to.

Researcher: And the actual idea to develop that equipment came from the franchisees within [Franchise Organisation C]?

Interviewee: Yeah, yeah, as far as I know, yes.

Researcher: Could you please tell me what you understand by entrepreneurship?

Interviewee: What do I, emm, entrepreneur is somebody that has this idea, and develops it, and moulds it into a business, and creates a business from an idea, and expands, and makes it, and do profitable business, really. I think that's my idea of an entrepreneur. And it is not somebody that doesn't succeed. It is somebody that does succeed.

Researcher: So, when you have that idea you definitely have to make it a success?

Interviewee: Yeah, or somebody else makes it a success for you.

Researcher: If that's your view of an entrepreneur, then, what about entrepreneurship?

Interviewee: Where people are developing and looking at developing their businesses to make it successful. That's my interpretation of it.

Researcher: Through what sorts of activities?

Interviewee: All sorts of things, I think. It's not just marketing, emm, in some cases, product development, and getting your product known, and get known in the market, and building the brand and your name up.

Researcher: Do you think that all entrepreneurs have specific traits?

Interviewee: Probably they have specific traits, but maybe not all entrepreneurs all have the same traits. But they all have certain ones that other ones won't have. But it's difficult.

Researcher: Could you give me examples of the key traits that you think an entrepreneur should possess?

Interviewee: Emm, dedication, hard work, and that's it really.

Researcher: Would you regard yourself as an entrepreneur?

Interviewee: No.

Researcher: Why?

Interviewee: It's maybe because in my previous professions I was driven by having goals and targets, and everything else, and since I've taken this on, yes I want to succeed, yes I want to have a successful business, but I'm not being driven by somebody else's goal and people's visions. I just don't think I'm an entrepreneur. I just think I'm a businessman.

Researcher: Would you say that someone is an entrepreneur because of what the person is doing currently?

Interviewee: I don't think you are born an entrepreneur. I think you get an idea, and it works, and you develop it because you've got passion for it.

Researcher: We will now talk about the entrepreneurial activities that you might have undertaken in the past, then, we will move on to those that you are undertaking presently, and finally, those that you plan to undertake in the future. What entrepreneurial activities have you undertaken in the past since you've been a franchisee within [Franchise Organisation C]?

Interviewee: The first one I did was deciding to go into the business by myself. And, other ones are the hardest for me, is developing the business, the call calling customers, and things like that, and getting to know people. I don't know if that's entrepreneurial or not? And I think going to meetings, and going to the Chamber of Commerce, going to British Networking Institute, BNI, have you heard of them? BNI, they are a group of businessmen and they eat breakfast once a week, and they sit around a big table, and they get up and just tell people what they do. And once every, once in, twice a year they have to give a 10 minute talk about the business and everything else to the whole group. And you can invite new people into the network. And everybody has got business cards belonging to everybody else in the group, and they refer people to them. I've been 3 times but I've not been for a little while because there was a cost implication as well. Because they wanted about 500 pounds for a year. And I couldn't see that I was going to generate that much business really, but you never know I might go back.

Researcher: Was it your own idea to start attending the Chamber of Commerce meetings?

Interviewee: When I was setting up the business, they mentioned to me that I could go to the Chamber of Commerce that they do a sort of business course for people who start up businesses. And you get, I think it was a thousand pounds to help you set up your business if you attended all the course and for the business planning, etc.

Researcher: A thousand pounds from the Chamber of Commerce?

Interviewee: Yes. I thought if I go in and devote 10 evenings to produce a business plan for a thousand pounds, it is certainly worth it. And they have a meeting once a month, which is tonight, and people go along and just have a chat, and talk.

Researcher: How often do you have to do the electrical testing?

Interviewee: Most companies have it done every year. But some companies want it done every 2 years, big companies like telecoms every 6 years, depending on the equipments.

Researcher: Depending on the equipments?

Interviewee: The type of equipments.

Researcher: Do you adhere to any specific industry standards for when certain equipments can be tested?

Interviewee: Yes, yeah, that's the minimum that they can be tested at. A computer would be maybe every 4 years. But, electrical hoover, industrial hoover needs to be tested every year, and something on building site needs to be tested every 6 months, maybe 3 months, there are different standards.

Researcher: Did you generate any business through the networking organisation?

Interviewee: Emm, I've had a couple, nothing particularly big, but then just a few.

Researcher: Have you engaged in any other entrepreneurial activities in the past?

Interviewee: Emm, well, there is networking lunches that are promoted by the Chamber of Commerce as well where it is once a month, maybe twice a month. You do a sort of speed networking, we do a minute swapping business cards. I've only been to two, but I've got one or two people interested in what I do from that. There is a couple of more, there is one in West Cumbria, this is North Cumbria, there is one in West Cumbria coming up. People that I meet at various functions like the local pub, or when I go to the rugby club sort of meet friends and people that are doing business.

Researcher: Does that generate positive results for you?

Interviewee: The rugby club generated a few, yeah.

Researcher: What about the pub?

Interviewee: One or two, yes. So, just from the local pub, yes, one or two people. In fact, I've got a job for tomorrow.

Researcher: Were these methods of marketing your own idea? Or were they suggested by the head office?

Interviewee: There has been the email that has come back from the franchise manager at [the head office] saying have you thought about looking at BNI but I've already looked at them. So, but there are more ideas coming that way from [the head office] than there were a year ago.

Researcher: Is he a new franchise manager?

Interviewee: Probably about 9 months I would think.

Researcher: Could that explain why there are more ideas?

Interviewee: Yeah, the organisation has changed a little bit last year. I've also done some local advertising. They are only very, very recent things. I don't know what the outcome will be yet.

Researcher: Have you introduced any new sources of supply?

Interviewee: No.

Researcher: Have you ever introduced new products/ services?

Interviewee: No.

Researcher: Would you categorise all the marketing mediums that you use as new methods of operation?

Interviewee: Well, they are new to me, certainly. I think some of them were tried and tested by other franchisees. But all of this is new market. So, it's all new business anyway.

Researcher: With regards to all the entrepreneurial activities that you've talked about, were there any other individuals that were involved during the entrepreneurial process?

Interviewee: Few people at various places where I had been working, and then said why don't you try somebody else that they know in a different business somewhere else. But that is about it really.

Researcher: Did you perform the major functions during the entrepreneurial processes?

Interviewee: Yeah.

Researcher: With regards to the entrepreneurial activities that you undertook in the past, what problems did you encounter?

Interviewee: Is this within [Franchise Organisation C]?

Researcher: Yes.

Interviewee: Emm, problem, feeling isolated, and quite a lot, because you are trying to develop your business, disillusionment sometimes in my first year.

Researcher: How did you overcome such problems?

Interviewee: Sometimes you just get one good phone call, you feel good for the rest of the week. Other times you have to sit down and talk to yourself on your head, and say you've got to get on with it, stop being stupid, and just go and have a good walk and come back, and things get back.

Researcher: Did you get help from your franchisor at all?

Interviewee: I think it is getting better. Emm, there is a lot more talk between franchisees than there has been. And there wasn't very much talk between franchisees and head office, so there is a, communication was the problem. It's improving and they've adopted some new policies where queries and questions are answered within 24 hours instead of being ignored, or whatever.

Researcher: What were the key motivating factors for engaging in such entrepreneurial activities?

Interviewee: Being in business by myself and making a reasonable living. It is not making an absolute fortune, but making a reasonable living so we could enjoy the fruits of life that we have, without the pressure of a large corporate business.

Researcher: In general, what would you say has been the outcomes of the entrepreneurial activities that you've undertaken for you, personally?

Interviewee: In the last year, I think starting the business up. But just the, we've done a job, you've done a good job, and people say that was much better than the last people that did it, it makes you feel a bit of pride in what you've done. It's early to say yet. But, I think in the long term it would, I would benefit in that I will get some business from there and make some new contacts and some interesting business people, not this year but 2 years time or 3 years time.

Researcher: What were the outcomes for the head office?

Interviewee: Pardon?

Researcher: What were the effects of your entrepreneurial activities for the head office?

Interviewee: Would it influence it, that's a good question. Whether it would, or not, maybe if I gather enough business and I might win 'franchisee of the year', or something, which really doesn't mean anything to me. Emm, I don't know if it would, I think they might listen more to what people have to say, and I felt with being on the forum that they've just set up, I think they are listening now to what the franchisees are saying about the business in general, and not just thinking about the corporate work.

Researcher: Could you please tell me the key factors that hindered you from engaging in entrepreneurial activities in the past?

Interviewee: The lack of confidence, and probably regional accent, which is not Cumbrian, it's not Scottish, it's Irish, and at times it's a bit of a barrier. That's when you have to go over and talk to yourself.

Researcher: What sort of entrepreneurial activities are you undertaking currently?

Interviewee: Em, networking. I'm looking at possibly having a website for [my franchise operations in] Carlisle. But I'm still trying to get to the person, how much it will be to manage, etc, etc, whether it's going to be worth it.

Researcher: What are the outcomes of the entrepreneurial activities that you are undertaking presently, for you personally?

Interviewee: Of course, there is the satisfaction of getting contracts and getting established, and having a good business, and things like that. I enjoy that, meeting different people.

Researcher: What are the outcomes for the entire system?

Interviewee: The business develops, and we get more business, and we don't lose the contacts that we already have.

Researcher: What entrepreneurial activities are you planning to undertake in the future?

Interviewee: I'm hoping to, maybe, get someone to work alongside me doing the telesales.

Researcher: Are you planning to introduce a new product?

Interviewee: No.

Researcher: What about new services?

Interviewee: Possibly. The other option was takeover another area. As I said before there are lots of areas around here that haven't had franchisees in place.

Researcher: Are you planning to introduce new sources of supply?

Interviewee: Not at the moment.

Researcher: What are the key motivating factors for wanting to engage in such entrepreneurial activities in the future?

Interviewee: A satisfactory living, and going to Bahamas for 3 weeks.

Researcher: With regards to the entrepreneurial activities that you are planning to undertake in the future, what would be the outcomes for your franchise outlet?

Interviewee: Increase turnover, the franchise employing people and basically developing a team that can work together.

Researcher: And what would be the outcomes for the head office?

Interviewee: A lot more turnover. Yeah, the royalties and everything else. Yes, they will be happy because I'm making more money for them.

Researcher: There is this debate that franchisors are entrepreneurs, and franchisees are not. What are your views on this issue?

Interviewee: I suppose in some respect, franchisees are entrepreneurs because they want to have a business, and grow it, and develop it. But they haven't got enough, I suppose, to go it alone. So, they are looking for a framework to help them build the business. So, I think that they are entrepreneurs in some degrees. They are entrepreneurs because I think they've made a decision somewhere along the line that they don't want to work for a large corporation, or something. They want the independence of working for themselves, but on the other hand, they do want some sort of framework that they can rely upon for administration, or structure, or whatever, to help them develop the business.

Researcher: Why did you decide to become a franchisee?

Interviewee: I was made redundant just over 2 years ago from a production manager's job that I've been in for 22, 23 years. And I just became very tired, and looked at the various options, what my qualifications were worth, what skills I had, and what I could do. And this is one of the ones that I came up with, and I decided to give it a go.

Researcher: Why did you choose [Franchise Organisation C]?

Interviewee: Because I had an interest in health and safety issues for a long time, and it was the one that appealed to me rather than some of the other franchises that you see that are cleaning based, or fast food based, I didn't really want that.

Researcher: We left out a question earlier on.

Interviewee: Question 2, was it?

Researcher: Yes, in what way does your franchisor prevent or discourage you from undertaking entrepreneurial activities?

Interviewee: I think that if you are going to try something new, you've got a clause in your contract that says that anything new, or outside your field, has to be referred to the head office for approval. For example, I wanted to do installation testing, which is what all properties like to have, I would have to go and seek permission of [the head office] to do it, because it is not in the franchise. So, emm, we do have some restrictions in what we can and cannot do. That's the only one that I can think of.

Researcher: Thank you very much for your help with this study. I would send you a copy of the transcript later in the year. Please let me know if you have any comments on it.

Interviewee: It's ok. That's no problem. I'm surprised you've come all this way.

Name of Organisation: Franchise Organisation A

Respondent's Name and Position: Franchisee A1

Interview Date: April 13, 2006

Location: Aberdeen, U.K.

Start Time: 1 pm

End Time: 2 pm

Researcher: Could you please tell me how you operate in your organisation as a franchisee?

Interviewee: Hmm, ok. [Franchise Organisation A] is really driven by health and safety legislation. We provide Asbestos surveys and management plans to help organisations comply with the government legislations that say all commercial premises have to have an asbestos register for the building for safety reasons. So, basically, what we do, we get in touch with companies and enquire if they have this register in place. If they don't, we offer to go along and have a look at their buildings, and inspect their buildings. And from there we give them quotation for doing a proper survey of the building. And if they accept the quotation, we go along and we do the survey. And we put together a report and a risk assessment. And then, that get signed off. If we find asbestos in the building, then there are control and management options that they have to follow after that. And we then follow up with re-inspections on an annual basis after that. So that is a very concise summary of what we do. Does it make sense to you?

Researcher: Yes, it does. How do you get the companies that you go to?

Interviewee: Initially with the franchise, and this is one of the attractions of a franchise, is that rather than starting from scratch yourself, they assist you to get the leads as they call them. In this case, [Franchise Organisation A] gives 32 leads by doing telemarketing, so they phone round. So they phone round companies and enquire if they have the register in place. And if they don't, they try and sell them our services. So that gets you going. That's just an introduction to these companies. So once you've finished, you are on your own after that, and then you will have to do it yourself. For me, it works two ways, I can do the same thing that they do. I can phone round and I can enquire, and I can get some work that way, or the very fact that I'm known through networking and having contacts in previous industries. Just by that, I get referral work. Or by the work that I've done already, by word of mouth, the work comes back to me. So, it works in few different ways. It's nice to go and do the surveys but trying to convince people that they need to spend money is quite difficult.

Researcher: Are there specific organisations that you target?

Interviewee: Emm, no specific, no. I can do everything from a small shop to a big football stadium. I've done the football stadium in Aberdeen, which is good.

Researcher: That's a big one.

Interviewee: That's a big one. Like I said, I also do churches, which could be small churches, big churches. Really there is a complete range of different properties I can look at, which is good. Although part of the franchisee network, we share ideas and we talk to one another enough. If somebody has a good lead, they'll tell everybody and say, well, I got that. And through that, you get additional information as to whether that's a good idea, so you go and look for that. So it's pretty good. It works both ways. There are a few different ways, you know.

Researcher: Now, we will talk about the culture of your franchise organisation with respect to entrepreneurship. Do you think that your franchisor wants you to engage in entrepreneurial activities within your own outlet?

Interviewee: Yes.

Researcher: Why do you think so?

Interviewee: I think that they encourage you right from the beginning that it is your business, and that they will support you to start with. But after that, they want you to get out there and generate business for yourself. And I think that describes entrepreneurship, if you like, yeah. They certainly don't discourage you, and they don't do too much for you other than getting you started. So, yes, they do encourage you to go ahead and generate business for yourself.

Researcher: So, at the moment have they given you all the 32 leads?

Interviewee: Yes, that's finished, that goes quite quickly, actually. They've done that. And, emm, I think since I've been doing it myself, I've been more successful than they were at doing it for me, you know. But I think it gives you the confidence over the first initial period because you come from a position of being in employment, which I was all my life, to doing this on your own. So, you've got no wages. You know that is really a big step, to go from being employed to being self-employed, or a limited company. I think it just gives you initial confidence and gets you started. Then, after that you have to be self-sufficient. And as I said, we have other franchisees in the business. I like some of them better than others, it depends on your personality, you know.

Researcher: In what other ways does your franchisor support or encourage you to engage in entrepreneurial activities?

Interviewee: We have some training that they do. They've carried out two marketing seminars for us since they had their initial training, because you have training at the very beginning. I think they identified that some people were better at marketing than others. And they offered for us to go down to [the headquarters] and undergo training on marketing techniques, and things like that. So they have supported us in that way. They also, because we provide local service, like I provide in Aberdeen, and this area because I have a territory that is exclusive to me, they also do what they call national contract. So, they will try and target large companies that have outlets all over the country. So, that also generates work for me, not a lot, but some, you know. So, that helps.

Researcher: In what way does your franchisor prevent or discourage you from undertaking entrepreneurial activities?

Interviewee: I don't feel discouraged at all. I feel quite free to do pretty much anything I want. I suppose the only restriction that has been put on me, I wanted to do certain work that they said you are not allowed to, was because there are very strict insurance liabilities for what I do. So that stops maybe, that is not the franchisor stopping me but, that's just the fact that we have to have very good insurance cover for public liability and professional indemnity. So that's a risk. But, emm, that is something that has stopped me so far. But, I've since then spoken to companies and asked them what insurance cover I would need, and then, I would go and do that work as well. That's me expanding the boundaries of what we are meant to do. So, that's emm. I don't know if that will cause an issue for them, I don't know. But something we'll look at when the time comes, you know.

Researcher: That has been the only instance?

Interviewee: That's the only time I've come upon something that they say, no you really can't do that. And I said why not, and they said because you are not insured to do that. Because we take out insurance through the franchise company, you see. But, in future, I might be insured on my own to do different types of work. Does that answer that question?

Researcher: Yes. Does your organisation have any formal procedures that you've to follow if you want to engage in entrepreneurial activities? Are there any specific or discrete procedures in place?

Interviewee: Not really, no.

Researcher: Are there any reasons why the organisation has none?

Interviewee: You are saying specifically for entrepreneurial activities?

Researcher: Yes.

Interviewee: In other words, going out there and generating business for yourself. They don't have any, or do they? I would say they encourage it. It is quite a young company and they may have in future because they are becoming more and more formal as things go on. But at this stage, no, they are quite open to us doing it yourselves.

Researcher: We will now move on to issues relating to the other franchisees.

Interviewee: The other franchisees?

Researcher: Yes. Do you get the impression that the other franchisees within your system also engage in entrepreneurial activities?

Interviewee: Not all of them, no.

Researcher: What proportion?

Interviewee: About 50%, I would say that would be reasonable. Besides, I don't see them that often. It's only often based on your impression, right?

Researcher: So, about 50% don't?

Interviewee: Don't appear to.

Researcher: Ok, don't appear to.

Interviewee: I don't know if they definitely don't, but I think some are more motivated than others. I think entrepreneurship is a personality trait rather than something when you can say you have to do this or you don't. I think so. Some are more inclined to be like that than others, that's for sure, you know.

Researcher: Do you have a franchisee forum or annual conference where you get to meet together with the other franchisees?

Interviewee: Yes, we just had one. I was at Luton on Tuesday, just this week, I was there, yeah, yeah.

Researcher: How often do you have that?

Interviewee: I would say we meet quarterly, so every 3 months.

Researcher: What sort of issues do you discuss at the forum?

Interviewee: Everything.

Researcher: Just everything.

Interviewee: Yeah.

Researcher: Do you discuss issues relating to entrepreneurship?

Interviewee: It comes up, but probably not called that. In other words, some people who want to do more like to stretch the boundaries. They are more frightened of that. So, it comes up. But, emm, not called that. But, emm, some people want to stretch their businesses further, some are more business-like than others, you know. But some want to do what we call encapsulation and some want to do removal work, which we really don't do. But some want to do that. So, yes, it does come up as side issues, if you like, you know.

Researcher: When they come up, are those ideas opposed by the franchisor?

Interviewee: No.

Researcher: No?

Interviewee: No.

Researcher: And now we will move on to general issues about entrepreneurship. What do you understand by the term entrepreneurship?

Interviewee: I think it describes a person who emm has got a drive and determination to succeed through business, you know. Emm, emm, possibly has ideas and thoughts that drive them forward, and is willing to further those ideas and thoughts. It's not something I've thought deeply about in the past. But, emm, something like that, I don't know. And I guess, it's a character trait which some people have and some people don't necessarily have.

Researcher: Ok.

Interviewee: What I find when I'm talking to other franchisees is that some of them expect to be led all the way, you know. They expect to be helped all the time. I don't feel like that at all. I want to do it myself, you know. And I want to push the boundaries as far as I can. Does that make sense?

Researcher: Yes. So, would you describe yourself, personally, as an entrepreneur?

Interviewee: To a degree, yes.

Researcher: Why?

Interviewee: Because I want to take the business as far as I can. And I'm willing to change it and adapt it to make it successful.

Researcher: We will now move on to discuss the entrepreneurial activities that you've undertaken in the past within your outlet.

Interviewee: What do you mean in the past?

Researcher: The way the questions are structured is that, I would ask you about the entrepreneurial activities that you might have done previously, then we will move on to the entrepreneurial activities that you are doing currently, then, those that you are anticipating to do in the future.

Interviewee: Ok. Do you mean within the time that I've been a franchisee, not way back when I was working for companies? Nothing to do with that?

Researcher: Yes, since you've been a franchisee.

Interviewee: Ok, fine, yeah.

Researcher: Could you please list the entrepreneurial activities that you have undertaken in the past since you have been a franchisee?

Interviewee: I think I have done a lot of networking with people that I know from my previous working life, and used those contacts and networks to get me into situations where I might manage to generate work that maybe others couldn't, through having this knowledge of people and developing that into business opportunities, which has worked for me. Through the general marketing, and being quite forceful, and selling my company as well as I can through telemarketing, and things like that. I don't know if that's an entrepreneurial trait but that's how I market the company. So, I quite like doing that. We did get the opportunity after you get this initial leads from the company, you can continue to do that, but you have to pay for them individually. And I thought, on the one hand, that's good anyway, so I rather do it myself. A lot of people don't like it, and I don't particularly like doing it, but I think it's more successful if I do it myself. And therefore, so far, that's what I've done. That's what I've done

in the past. We are gonna talk about the future, so, I've got some different ideas about what I'm going to do in the future. But that's how I've chased it so far. The difficulty is, as you spend time doing what is entrepreneurial, you, maybe, not spend time doing the work that earns the money, you know. Therefore, you've got to balance the two, if you just work for yourself, you know. It'll be different if you have people working for you. But that'll bring other types of problems. But, emm, that's certainly the types of things that I've been doing so far.

Researcher: Ok, networking?

Interviewee: Yeah, so far.

Researcher: Do you have people working for you as well?

Interviewee: No. I'm just working for myself.

Researcher: When you go through the networking process, are you the only person that engages in this process?

Interviewee: Yeah.

Researcher: What problems did you encounter with the entrepreneurial activities that you have done in the past?

Interviewee: Emm, I guess, it's convincing people to have this process or service done, and things like that, it's quite difficult. So, that's a problem in itself. If you go and visit 100 companies you don't expect to convert 100 into work, you know what I mean. You have to set your expectations fairly low. Emm, and work out how many you really need to generate. So, I don't know if those are the problems because I expected them anyway. But, yeah that's the kind of problem, getting people to actually take the sale on its own. That's possibly what I've seen. I think the problem is the time it takes to do it. That's a problem, you know. Emm, and balancing that time against the time you spend on software, that's a problem I have, and I hope to address it in future.

Researcher: When you do the surveys, do you have to do it on an annual basis for the companies, or just one-off?

Interviewee: If you do it and you don't find any asbestos in the building, then, that's a one-off, finished. They get a report to say, you have no asbestos in your building, alright? But if you do find it, you then set up a management plan and go back annually and you re-inspect it. So, from the point of view of business it is better if you find some, you know.

Researcher: When you find some, are you the person that will be in charge of removing the asbestos?

Interviewee: No.

Researcher: You only let them know that they have got it?

Interviewee: Yeah, I just report that we found it, that's the condition it's in, and this is what you have to do about it. You may not have to remove it, you may leave it sometimes in place, as long as it is properly controlled.

Researcher: We have talked about the problems that you encountered, how did you overcome them?

Interviewee: I think that some of the problems you encounter would always be there because people are reluctant to spend money. Emm, and hence, you just, you have to keep at it. So, you be persistent, that's the way of overcoming it. You just keep going. Also, when I talked about the balance between the time you spend on marketing against the time you actually spend in doing the survey, and things like that, emm, what I've done I've made contact with a telemarketing company, but locally, instead of down in [the area where the head office is located]. And, emm, I'm talking currently about how we'll set up a partnership deal, that

they'll do my telemarketing for me, you know, and we'll work together on that, and I'll pay an hourly rate for that. It's a slightly different way of doing it. I haven't tried it yet but it's what I'm working on at the moment and how I anticipate it happening in the future, you know.

Researcher: With regards to the problems that you encountered in the past, did you get help from your franchisor.

Interviewee: Emm, I think there was a recognition that some franchisees were uncomfortable with marketing, and didn't like it, and most people don't particularly. Unless you are a natural sales type person, you don't particularly like that. Therefore, they then give us marketing training and that sort of thing. But other than that, no, that's about all they offer, or they offer to give. But, if I do a survey, say, in this building, when I'm finished, I'll go talk to the people that side, I'll go talk to the people that side and people across the road, you know. And that works for me as well. You know, it's quite difficult just to go call, calling on people. But that's worked for me as well. So, there's a few different way of doing it. Yeah.

Researcher: You said you had training recently, how often do you have such trainings?

Interviewee: Oh, emm, I would think possibly once a year, probably. We've had two courses and that's certainly more than once a year, but I wouldn't anticipate that being ongoing, you know that wouldn't be a regular thing. So, I would say it's on offer every 6 months approximately, you know. But I think that's just because we've got new people coming all the time, probably they felt the need to help, you know.

Researcher: Do you find them useful?

Interviewee: To some degree, you know. Sometimes you go on those courses because I've got such a long way to travel as you know to get there, emm, I'm reluctant unless I really think I'm gonna get benefit from it. So, the first one I went to was very good. The second one I went to was fairly good. So, some are good, some are not.

Researcher: What were the motivating factors for engaging in the entrepreneurial activities that you undertook in the past?

Interviewee: The motivation?

Researcher: Yes, what factors motivated you? We are still talking about the entrepreneurial activities that you did in the past.

Interviewee: Yeah, I think, really, just to keep the business going. I think you can't sit back and expect the business to run itself, I think you have to push the business and push it hard. I don't expect anybody else to do that for me. I think if I sit back and wait for things to happen it just won't gonna happen. So, I have to look after it, and push it, and keep pushing it all the time. So, that has been my motivation. Just to make the business bigger and better all the time, you know.

Researcher: You have been with [Franchise Organisation A] for about one year?

Interviewee: November 2004, about a year and a half, 18 months.

Researcher: With regards to the entrepreneurial activities that you undertook in the past, what were the outcomes for your own franchise outlet?

Interviewee: I would say it has been reasonably successful. Because my business has been fairly successful so far. The outcome is that I have a larger network of people from whom I can get business, you know. And luckily some of the business contacts that I've made have potential to give me work, which is quite substantial, you know. So, it has been very much worth it from that point of view. So, the outcomes have been pretty good, and I would expect in future they would be even better, you know. So, I think it's worth going out there and doing it, you know.

Researcher: Do you have specific targets set by the head office which you have to meet?

Interviewee: Yeah, yeah, they do set out, right at the beginning they tell you in the 1st year you are expected to generate so much work, in the 2nd year so much more. and after 5 years you should be earning a certain amount per annum. You know, and it's written on their contract that if you don't achieve that that they can terminate the deal, you know. But I haven't found that to be a particular motivating factor at all. I am more driven by wanting to do it myself, you know. I think that there are some people in the organisation who are maybe not so successful. I think they are quite good and quite happy to try and develop these people and bring them up. So it's quite a good atmosphere, it's not hostile at all.

Researcher: With regards to the entrepreneurial activities that you undertook in the past, what were the outcomes for your head office?

Interviewee: Well, they get a royalty based on the amount of business that I do, they take 15 percent, you know. So, the outcome for them is that they get bigger royalty, basically, you know. Emm, for them, that's probably all the thing they get. They get more income from it.

Researcher: What were the key factors that hindered you from engaging in entrepreneurial activities in the past?

Interviewee: That what? Sorry.

Researcher: What were the key factors that hindered you, that prevented you, from engaging in entrepreneurial activities in the past?

Interviewee: Emm, lack of confidence, lack of experience. I think as you become more confident and more experienced you become bolder in your approach to these things, you know. When you first start up, you are really learning how to do the surveys, that sort of thing, how to put the reports together. Emm, and you need someone to support you on these marketing things. But as you become more experienced and confident, I think you become more entrepreneurial in your willingness to try new things and be a bit bolder, you know.

Researcher: We will now move on to the entrepreneurial activities or entrepreneurial behaviours that you may be undertaking or displaying presently. So, what entrepreneurial activities are you undertaking presently?

Interviewee: I'm talking to companies about expanding the business into a wider range of activity. We currently just do buildings. Because I live in Aberdeen and Aberdeen is an oil town, we have the opportunity, or I may have the opportunity to work offshore in the oil fields doing the work out there, and also in shipping. So, I've been talking to companies about doing that sort of thing, you know.

Researcher: How would that work, for instance, the shipping?

Interviewee: Well, there are fairly large fleets of fishing vessels, and things like that around Aberdeen, Peterhead, there are lots of fishing ports and things like that. And I've talked to companies about doing their buildings, and then said well, we also, because people work on ships that are covered by the same legislations that buildings are, so, they have asbestos on a ship, it really should be inspected as well. So, I see that as a new opportunity. I don't think anybody else has done that so far within my organisation. So, that's an opportunity, and also oil rigs, because as the oil fields in the North Sea mature and come to the end of their life they have to decommission these structures. And before you can decommission it and take them away, you have to make sure there is no asbestos on them. So, there is a possibility of survey work on offshore installations as well. So, I'm looking at that.

Researcher: Did you actually think about those ideas yourself?

Interviewee: Yes.

Researcher: Have you told the head office?

Interviewee: I've spoken about it but it's so different from what we do. I think they feel it's, hmm, a bit good. They think you are not insured to do that, you are really not insured to do that. And I thought, well, ok, fair enough. Well, I'll go and get insured myself. I'll do it myself. So, but, I'll still like to maintain the links with the franchise because they have good reports in structure, links like that which I think I need. And I think the clients also like the fact that we have a corporate image rather than just me, myself, you know, so that's good. I think that gives me confidence and also gives the clients some confidence as well.

Researcher: So, if you get insured on your own that means you won't be doing it under the franchise?

Interviewee: Yes, well, I think that is something that we all have to sort out. Certainly if they try to stop me I'll then maybe have to do it on my own, which means I won't be part of the franchise. But, emm, I think that could be resolved. I think that's maybe something we can sort out. I haven't got there yet.

Researcher: Are there any other entrepreneurial activities that you are undertaking presently?

Interviewee: That's probably the main thing that I'm looking at at the moment. It is quite a big factor. That's quite confidential by the way.

Researcher: Oh! that is no problem. Your responses would be anonymous. So, what process do you have to go through in order to undertake those activities? Are you contacting those organisations individually?

Interviewee: It's basically through one organisation and would become a sub-contractor to that organisation. So, that organisation is generally in business for itself. And I would be a sub-contractor within that, you know. So, it's, eh, a fortunate set of circumstances if you like.

Researcher: Apart from the problems that you have with the insurance, in terms of the head office saying you are not insured to do that kind of work, are you encountering any other problems?

Interviewee: No, other than things that I need to do to comply with regulations for working offshore. Not really, no.

Researcher: In what other ways are you overcoming such problems?

Interviewee: We are looking at different insurance companies because the insurance is very expensive. So, I'm weighing all the different cost aspects of it, you know. That takes time. Other than that, just making sure that I have all the necessary qualifications to do the job, that sort of thing, you know. I just weigh up the problems as they occur and overcome them.

Researcher: Do you think your franchisor has been very helpful with respect to the entrepreneurial activities that you are undertaking presently?

Interviewee: Yeah, yeah, yeah. He hasn't been unhelpful, you know. I mean they don't help me dramatically, and don't in entrepreneurial, and I think that's more pushed by myself, you know. But they are not obstructive.

Researcher: What are the motivating factors for engaging in the present entrepreneurial activities?

Interviewee: Just, emm, to drive the business forward to make it more successful, to keep me gainfully employed, make money.

Researcher: Is this the only franchise that you operate?

Interviewee: Yeah.

Researcher: With regards to each of the entrepreneurial activities that you are undertaking presently, what are the outcomes for your franchise outlet?

Interviewee: The outcome is that I'm gonna have to spend a lot of money on insurance. I feel quite excited by it all, if that's the outcome. You know, I'm encouraged and motivated by the whole thing and want to do it and make sure it's a success. That's something that is within me, making me drive it forward. The outcome of that, maybe, make things difficult because I may have more work going on than I can handle, you know. And I might have to look at other ways of coping with the volume of work that I may generate. That's another aspect of it. At the moment, I can try and balance pushing for work and getting new stuff with actually having to carry out the work. If I start to generate more than I can do, by myself, that may be an outcome that may be for the future rather than for what I'm doing at the moment. There is quite a few problems in that I have to spend a lot of time just doing administration work, and that sort of thing.

Researcher: How long does each survey take for a particular organisation?

Interviewee: For a small survey, maybe, 2 or 3 hours. A large survey, 2 or 3 days, you know. So it depends on the size of the survey, what is required.

Researcher: The telemarketing that you mentioned initially, have you started that?

Interviewee: No, we are just talking about it at the moment, agreeing how much I'm gonna pay them for it, that sort of thing, and how we are going to do it.

Researcher: Is the organisation based in Aberdeen?

Interviewee: It's close to Aberdeen, about 20 miles from Aberdeen.

Researcher: Are they into different sorts of marketing activities?

Interviewee: Yeah, they do all sorts, as far as I know.

Researcher: Do you know anything about their output, output level?

Interviewee: Well, that's what I'm trying to find out, you know. Because they will come along and try to sell you the service, and I say, ok fine that sounds great, do you have any references, or can you prove that you've been successful with this kind of thing in the past? Because they didn't tell me that, you know. So, we have to be sure before I go spend money with them because they want the money upfront. So, I felt, well, no you let me talk to some of the people that you've worked with in the past who you have generated business for, and then, we'll set up something. But, eh, I'll rather do it myself than have somebody do it that wasn't good at it, you know.

Researcher: Was it the marketing organisation that actually contacted you first?

Interviewee: No, I went looking for them. Because I could see that I could generate more work if I have somebody doing that for me, you see.

Researcher: With regards to each of the entrepreneurial activities that you are currently undertaking, what are the outcomes for the head office?

Interviewee: Well, the outcome for the head office is always basically the same, in that they get more income from it because they take royalty from me, which is simple as that. All the relationship is very straight forward in that if I don't do very well they don't get much money. And if I do better, they will generate more because they earn a percentage of what I earn, you know. So that will be the outcome for them. Emm, and occasionally when I get more work, I actually can hire a surveyor from them and take them up to Aberdeen, and give them work. So, that further generates work and income for them, you know.

Researcher: Have you been doing that in the past?

Interviewee: Yeah.

Researcher: What are the factors that prevent you from engaging in entrepreneurial activities currently?

Interviewee: With time, really, nothing prevents me. I can pretty much try anything I like. I think I have enough going on at the moment. That emm, along that line. that emm, I wouldn't be, unless something came up that I hadn't thought of I would go and pursue more. But at the moment I've got enough on my plate, just trying to make the best of the opportunities that have come along, you know, at the moment.

Researcher: Could you please tell me the entrepreneurial activities that you are planning to undertake in the future?

Interviewee: Ok, if I manage to achieve the levels of insurance that I need I would be expanding the activity. As I said to you earlier, the work possibly in the oil fields, and things like that. So, that's what I plan to do for the future, you know. And I'm currently working on arranging that. So that's part of the current activities, and hope the outcome will be in future.

Researcher: Are you going to be the only individual that would be involved in the entrepreneurial process?

Interviewee: Yes.

Researcher: What problems are you likely to encounter?

Interviewee: Emm, that's a good one. For the future, emm, I think what I may do is, as I get involved in these new activities it may hinder my progress on the stuff I do at the moment, you know. Unless I expand the business, you know. That might be a problem. Emm, hopefully what I do might generate more income for me, so, that won't be a problem, because that's my intention. But it might affect how I handle the work that I've already got flowing at the moment, that's a potential problem for me, as I work on my own. There is only so much work that I can do. If I go and work 14 days away, and if someone needs something done urgently at home, a survey here in Aberdeen, then I won't be able to do it, you know. So, that's a potential problem from that point of view.

Researcher: Are there any other likely problems?

Interviewee: No, I can't think of any.

Researcher: Do you expect to need help from your franchisor for the problems?

Interviewee: Possibly, yeah. I may do on the different reporting techniques that we may have to use for new activities, that sort of thing. They may have to help me with that, yeah.

Researcher: Are they going to be happy to do that?

Interviewee: I think so, yeah, hopefully.

Researcher: What are the motivating factors for wanting to engage in such entrepreneurial activities in the future?

Interviewee: Well, it's to generate more business, which generates more income. That's the simple part of it. I see that the onshore work that we do at the moment may have a finite life to it, it might not go on and on, you know. There are certain aspects of the business that regenerates but there are, as we said earlier, once a survey is done you don't necessarily get another survey for the same company, you know. So, I see this work as basically breaking new grounds and ensuring I have an income into the future.

Researcher: Ok, with regards to each of the entrepreneurial activities that you are planning to undertake in the future, what would be the outcomes for you?

Interviewee: We have already answered that, I think so. The outcome is that I maintain the business and expand the business.

Researcher: And would the outcomes for the head office be the same, in terms of the royalties, getting more royalties?

Interviewee: Yeah.

Researcher: Are there any factors that are preventing you from wanting to engage in entrepreneurial activities in the future?

Interviewee: No.

Researcher: We will now move on to the final part of the interview, which includes general questions about franchising.

Interviewee: Ok.

Researcher: Why did you decide to become a franchisee?

Interviewee: Well, I had been employed basically all my life, and emm, the opportunity to take a redundancy package from my employer, which meant I would get some money and emm, I had always wanted to have my own business. It was something I had always wanted to do, but I've never done it, never got the opportunity. So, emm, this seemed like the opportunity. So, I felt there was an opportunity in life to undertake things I had always wanted to do. And, emm, but I didn't know what I wanted to do. So, I, emm, there is an organisation called the enterprise trust, I don't know whether they have them all over the country. They certainly have them in Scotland. And you can go along to these organisations, and they have consultants who will certainly discuss these types of things with you, and the guy I happened to talk to said, have you thought about franchising? And I said, no, I don't know anything about franchising at all. And he gave me various franchise magazines and said, well, have a look at that and see if there is anything in there that interests you, since I didn't have any idea of what I wanted to do, myself, from a business point of view. So, I went and had a look at that, and I went to the Birmingham exhibition a couple of years ago. I started looking at where the opportunities were, and saw many opportunities that I would quite have enjoyed to take on. Some would be too daunting and too expensive. Others just didn't suit me at all. And eventually, through a process of elimination, I kind of guess based on things that were similar to what I've done in my previous life and I could bring some of the skills that I generated over the years to this particular franchise, I thought [Franchise A], along with 1 or 2 others, was probably what I would want to do. It was a management franchise but that had a kind of practical side to it as well, which is a kind of person I am. So, I just thought I could be successful at that. So, that's what took me to franchising anyway.

Researcher: Would you recommend franchising to someone else?

Interviewee: Depending on the personality and how they wanted to approach it. It's quite good when you go to these franchise shows, and go to the seminars. Lots of information are available through the magazines as well, to tell you don't do it if you feel like this, if you don't want to work hard, if you don't want to do that, if you don't want to do that. Plenty of things to put you off, just in case you get yourself involved and spend a lot of money that you really shouldn't do. I went through it very meticulously. So, yeah, yeah, I think I would recommend it. I would discuss it with them in detail just to explain a lot about it. So, yes, I would recommend it.

Researcher: Would you say you've been happy being a franchisee?

Interviewee: Yes.

Researcher: Any regrets?

Interviewee: None, whatever.

Researcher: That's good. There is this debate that franchisors are entrepreneurs but franchisees are not. What are your views on this issue?

Interviewee: Alright, I see what you mean, I can understand that argument.

Researcher: I noticed from the General Enterprising Tendency questionnaire which you completed earlier that you have high entrepreneurial tendencies.

Interviewee: Yeah, I think it has always been like that. I think I succeeded quite well in what I did in life previously. I mean, I got as far as I could in the industry I was at. I was the manager of a big company but I just didn't work for myself. So, I think the tendencies were always there. I didn't like taking orders from anybody, quite independent. Not tremendously the team player, although in the work that I did I had to set up teams and have people working as teams. I knew it was the right thing to do but I knew it myself, I probably won't be a particularly good team player myself, I like being in charge and it suits me. I really like it. So, I think is the question whether I believe that franchisees are entrepreneurial, or is it the franchisor who is entrepreneurial?

Researcher: Yes.

Interviewee: I think the franchisor is definitely entrepreneurial, yes definitely. I think there is no doubt about that. But, I think franchisees can be entrepreneurial. I don't think they definitely are entrepreneurial. Not every one of them is entrepreneurial. But I think as an individual franchisee I certainly feel that I can take the business, shape the business, and stretch it as far as I want to stretch it and make it a success. I don't have many restrictions on me. So there is nothing to stop me being entrepreneurial. Does that make sense?

Researcher: Yes, it does. Would I be right in concluding that you don't have any restrictions on your entrepreneurial activities also because of the nature of your franchise?

Interviewee: That's right. I suppose they would, if I decided to do something completely different from an entrepreneurial point of view, they wouldn't want that. Let us say I wanted to set up a shop selling clothes, or something, because I recognise there is a niche in the market for a certain type of product. They wouldn't sanction that at all, I have to stick within the rules of what I do. In other words, yeah, surveyor for them. It depends on how broad a spectrum I want to seek opportunities in. Even then, I would find a way to make it work. I think so. I wouldn't let that put me off. I feel I can be pretty much as entrepreneurial as I want to be, as far as I want to drive it. I hope I've helped.

Researcher: Yes, it appears that you have no restrictions at all.

Interviewee: I don't feel restricted, no. But that's just my personal bit because when I go to the meetings with the other guys some of them aren't like that, they complain that, O, well, the group has not done this for me, they haven't done that for me, and it's just not working for me, but they are not doing it right. You don't think it's going to work, so it's not going to work. I think you have to have drive and determination, and an expectation that it would work in the first place, which is a personality trait, and maybe entrepreneurship, is that what you call it? Well, I think that is deep inside the person, not everybody is going to be like that, I think.

Researcher: Thank you very much for your help.

Interviewee: I hope I've helped you in some way?

Researcher: Yes, it has been good talking to you. When I saw the results of your General Enterprising Tendency test, I thought it would be interesting to talk to you, as you scored highly on the test.

Interviewee: Yeah, yeah, and I think it was very honest. So, yeah, yeah, I think that's just how I am.

Researcher: I wish you all the best with the franchise.

Interviewee: Thank you.

Name of Organisation: Franchise Organisation A

Respondent's Name and Position: Franchisee A2

Interview Date: May 11, 2006

Location: Blackfordby, Derby, U.K.

Start Time: 1.30 pm

End Time: 2.30 pm

Researcher: Can we start?

Interviewee: Yeah.

Researcher: Could you please tell me how you operate as a franchisee within [Franchise Organisation A]?

Interviewee: I work from [franchise A], I carry out asbestos surveys, so I carry out surveys that are given to me by [Franchise Organisation A]. I don't generate my own work. Ok, let me explain this, I bought a franchise 18 months ago, ok you are going on beyond that. I've had my own business, or my wife and I have had our own business for 20 years. We've reached the point where we could no longer operate our own business because trading became impossible because of health and safety regulations, and because of method of employment operated by Inland Revenue. So, I could no longer continue my business. I've made sufficient money to certainly retire. I looked through a job that was not too demanding, not too stressful, that would utilise the experiences that I've got. And I thought that asbestos surveying would make good use of those, because I know the way it goes, and I know how it's used, therefore I can locate it in the building very easily. It was intended that all franchisees would get their own work because a law was introduced in May 2004 where every commercial premises have to have an asbestos survey. So, we were told that 2 million businesses need your service, pick up the phone and they will be clamouring for your services. That was a lie. It was a lie because there is absolutely no business whatsoever. And the business failed, and I failed. And September last year I stopped trading because it was costing me more money to stay in business than I could earn. For example, insurance is 5,000 pounds a year for an asbestos related industry. And as I wasn't turning over 5,000 pounds a year, I wasn't even covering my insurance costs. So, I stopped trading. In January of this year, 2006, [Franchise Organisation A], who were the franchisor, recognised that they were going to go bankrupt because there were no earnings coming in from the franchisees, or minimal earnings coming in from the franchisees, and not sufficient to pay their overhead. They then took sideways step and moved into the insurance industry, and we now no longer do surveys, but we take samples within houses. For example, if I had a flood upstairs, water down through my ceiling, I would report it to my insurance company, they would send a surveyor, he would say, emm, those tiles look suspicious, they may be asbestos containing board. Therefore, he would call on [Franchise Organisation A], who would call on me to go and take a sample, and give that information to the insurance company. So, now all of the work comes from [Franchise Organisation A], I don't get any work for myself. So, that's an awful long answer, but absolutely there has been a major change. Originally, we should be getting our own work, but now everything comes to me from [Franchise Organisation A].

Researcher: So the change started this year, January this year?

Interviewee: Yes, yes.

Researcher: When did [Franchise Organisation A] come into existence?

Interviewee: About two and a half years ago. They haven't piloted the franchise, they started it and sold it, and then found out that it didn't work, instead of doing a pilot first. Being able to offer a business, they made a start.

Researcher: There was no pilot operation at all?

Interviewee: No, there was no piloting, no.

Researcher: That's quite surprising. Are you the only franchisee within Derby?

Interviewee: Emm, we all have an area, then, yes this is my area. But the business is so small that if you confined yourself to an area, you just get two jobs a year, or something, you wouldn't get any work. So, in fact, I'm now, although Derbyshire is my area, I'm covering right the way through the Black Country, across to Telford, almost into Wales, and I have to go through that entire area to generate about 4 or 5 jobs a week.

Researcher: Has that been profitable since the changes in January?

Interviewee: No, it has not been profitable because, no, I only work maybe two days a week. It would be extremely profitable if there was sufficient work and I could work 5 days a week. But because I only work intermittently, emm, and we get 165 pounds a survey, but we pay 15 percent commission, so that's 25 pounds deduction. We pay 15 percent for our insurance, so that's another 25 pounds. So you get 110 pounds, 115 pounds for a survey. A survey takes you about 6 hours. But you could have spent at least 30 pounds on diesel to service that survey. So, you could be down to about 70 pounds a day. So, if you do 2 days work per week, it's 140 pounds. You then get your normal running costs, postage, and computer. So, no, it isn't profitable. Now, that doesn't bother me as an individual, because I am certainly retired and comfortable, I don't exactly need the money. I want the work to keep me sane, and I would like some hundreds of pounds coming in per week, just spending money on peripherals. But if you were trying to make a living out of it, no you couldn't.

Researcher: Since the new change, are the surveys now only done for private homes?

Interviewee: Yes.

Researcher: Nothing for corporations at all?

Interviewee: No.

Researcher: But previously you used to?

Interviewee: Previously we used to, yes. Previously, it was other way round. There was no domestic, it was all commercial. Now, because there is no commercial, because health and safety aren't enforcing it, because there is no need for it, eh, I run a business why should I pay you 500 pounds to do a survey that I don't want, that's the door. But you have to have it in a domestic situation because if there is asbestos in those boards, and don't worry, there isn't, certainly not, and a builder has got to come in and take them down, then, you are putting him at risk, and your insurance company will get sued. So, to save their own scheme, they do analysis first of all before they let the builder in. And they warn him whether it is, or isn't containing asbestos. So it's now all domestic.

Researcher: Your task is just to do the surveying, not to help with the removal of the asbestos?

Interviewee: No, no. We will touch on that later on, I'm sure.

Researcher: Ok. How would you describe the culture of your franchise system with regards to fostering or preventing entrepreneurship within the franchised outlets?

Interviewee: I would say that any franchise prevents entrepreneurship. My definition of an entrepreneur is someone who uses his or her personal skills to profit or they could be loss, but generally, to profit out of a given situation. That will be my view of an entrepreneur. So, in other words, I am an entrepreneur, I bought a franchise, and I now make the franchise work, no I can't because you are tied all of the time by the rules and the mark of the franchise which you cannot change. You have to conduct your survey in a set manner using their software, you cannot give any advice to your clients, I have to use their logo. No, you cannot express any form of entrepreneurship within a franchise. Having said that, [Franchise Organisation A] had 25, 30 surveyors, franchisees, 4 left because they said it doesn't work, I'm completely disillusioned, I'm not throwing any more money at it, I'm going. So, 4 just walked away. Six, or at least 6, said there is no market in what we bought, there is no market in surveying, but while I go to see this lady who has asbestos in the ceiling I can say, I can give you a price to take that down. So, I can become a removals contractor. If it is asbestos it is a hazardous waste, so having taken it down, it then has to be treated as hazardous waste and removed as hazardous waste, and you have to have a license. So, you have to become a contractor to remove hazardous materials. So, there are 6 who have stopped surveying but become removers and become carters, that is against the rules of the franchise, they have left. They have had to leave. So, yes, entrepreneurship if it displays itself pushes you outside the franchise. So, there were those 6 who had an entrepreneurial flair, they have exploited it, and they have moved on to other things, but not within the franchise. And those obviously that left are old men like me who say, I do not want to take down ceiling, I do not want to take down garages. So the opportunities are known to me, it's not something I want to do. I wanted to be a manager, a managerial surveyor, and do the surveys. So, no, you cannot be an entrepreneur in a franchise.

Researcher: When I talked to some franchisors at the National Franchise Exhibition in Birmingham, some said they wanted entrepreneurial franchisees, and some said, no they don't want to recruit entrepreneurial individuals as franchisees. So, that's part of the reason why I'm actually interested in talking to franchisees to find out their views on whether or not they feel their systems restrict entrepreneurship.

Interviewee: Yes, it does.

Researcher: So, would you describe yourself, personally, as an entrepreneur?

Interviewee: Yes, because I have run a business which I started from scratch as a building contractor, I recognised the niche market of working nationally, I recognised the niche market of working particularly on shops and banks, and I did Bank of Scotland, Waterstone's bookshop, that's sort of the major clients, when I stopped trading because the government said you can no longer employ sub-contractors, you have to have them directly employed. I could no longer perform, because one week I could need 60 men, and one week I could need 40 men. So, if I'm employing them directly that's totally uneconomical. I can't have men not working, I can only do it with sub-contractors. So, when I could no longer, no sub-contracting, I had to stop. I had a manufacturing factory, so I then continued doing my manufacturing, which I did for another 4 years. But then, Health and Safety, they just wanted so many protectors put on to machines that you could no longer get the machines to make it work. So, I had to stop. So, yes, I've been entrepreneurial in the past because I've started, and developed, and moved two businesses to suit the market place.

Researcher: Ok. What about currently, since you've been a franchisee?

Interviewee: No, I can't for the reasons that I gave.

Researcher: So, are you trying to say that being an entrepreneur is only based on what you are doing presently?

Interviewee: No, I'm saying that I've been entrepreneurial in the past. I bought a franchise because in my view, a franchise was safe, an existing business that works, you don't take any

risks, you wouldn't have to put any personal skills in, I just took the format and made it work. But the format would not work.

Researcher: Does your organisation have any formal system which allows franchisees to undertake entrepreneurial activities?

Interviewee: No.

Researcher: Is it that they don't even give you the freedom to come up with new ideas at all?

Interviewee: No, no, it doesn't permit, Lola. It is purely fire and flooding industry. If a domestic house suffers a fire, or a flood, it contacts its insurers, and insurers repair the damage. So, there is nothing you can do, and all I do is a small little card in there that tells you whether the material contains asbestos, or not.

Researcher: So, you don't even have the freedom to devise marketing mechanisms?

Interviewee: That's because they, no, because I could not approach a major insurer like say, Norwich Union, and could not advertise for clients. It has to come from central office, which is [Franchise Organisation A] who has 24/7 emergency telephone call system. And so they go to the insurers and say, look, we have a team of 30 surveyors around the country we can respond within 3 hours to any request you give us by passing the work to one of our franchisees. A franchisee could not offer that service. Therefore, there is no point advertising because you can't get the work, because you couldn't do the work. We have to work under the umbrella of [Franchise Organisation A].

Researcher: I'm sure most of the questions may not be relevant for you.

Interviewee: Ask me, we can just say yes or no.

Researcher: We are meant to now focus on the attitudes and views of the other franchisees in your system. What do you think are their attitudes towards engaging in entrepreneurial activities within their outlets? Do you get the impression that the other franchisees want to engage in entrepreneurial activities?

Interviewee: Ok. Yeah, there were 25, six have gone, so that's 20 percent isn't it? Eighty percent – no, and twenty percent – yes. And those that have, have, and have gone.

Researcher: What do you think are their main reasons for wanting to engage in entrepreneurial activities?

Interviewee: To afford to live. It's the only way to earn money. They have bought the franchise which doesn't give you the earnings they have demonstrated to you. The earnings aren't there, if you are married with a mortgage and children you can't live on it. So, they have got to move out to get a job that they can earn money. So, it's purely, they have moved out purely to earn money.

Researcher: Ok. So, the main reason why they wanted to engage in entrepreneurial activities was to try new ideas in order to make money?

Interviewee: Yes.

Researcher: And since the system does not permit them to do that, they had to leave?

Interviewee: Had to leave, that's right.

Researcher: Ok. Do you have a franchisee forum?

Interviewee: A franchise?

Researcher: A franchisee forum.

Interviewee: Forum. Yes, we do. We all went into this with our eyes opened and thought this is fantastic. I mean, we were told we could earn six to seven hundred pounds a day. Yeah, well, and when we found that this was not happening we got together, and we formed a

group, and we registered ourselves, and we called ourselves UKAAS. United Kingdom Association of Asbestos Surveyors. We formed a limited company, we had a chairman, a secretary, and we had monthly meetings, three monthly meetings, rather. And, really, it was all to fight the franchisor. We employed a solicitor or lawyer to try and get our money back because we had spent over 35,000 pounds each, buying franchise. We had all then put in a lot of effort and expenditure to make it work. My expenditure was up to 62,000 pounds. So, it's a lot of money for 25 people to lose. And we felt we've been conned, that the franchise was a fraudulent operation that had been set up purely to defraud. They just keep getting people from exhibitions, keep taking their 35,000 pounds, and when it dried up they'll move on to another job. That's how we viewed them, we wanted to stop them. Emm, but then, the franchisor started to lose money heavily. Its managing director tried to stop the haemorrhage of money and started attending our meetings, and promised to correct the issue. He has partially corrected it by introducing the fire and flood operation, which we now are part of. But, it's so small there that it's not really much good. So, yes, we did have quarterly meetings, we do have a forum, we do have a limited company. Our chairman, though, has left to do other things. So, now we are rudderless, we may flounder because maybe, take me as an example, the heart has gone out of it, I don't need to make this succeed, I've spent my money, it was a risk, it didn't work, it hasn't hurt me that much. I might as well sit here and do 140 pounds a week until it dries up altogether, and get something back, and then, finally retire. So, it doesn't hurt me too much. And I think some of the other people are in a similar position. They have all taken other jobs now, they have all got other jobs. So, they are all doing other things which give them their basic lifestyle. And we might as well hang about and just keep getting the fire and floods as it comes in.

Researcher: How often does that come in?

Interviewee: Well, that's just two jobs a week, something like that, 2 or 3 jobs a week.

Researcher: Do you have an annual conference?

Interviewee: No, we don't have one.

Researcher: So apart from the franchisee forum, they have no other meetings for all the franchisees?

Interviewee: There is nothing, no. Well, they don't want to talk to you, do they? Twenty five men can get very angry.

Researcher: I don't know how applicable the following questions would be to you. The next series of questions focus on the entrepreneurial activities that you have done in the past, then, in the present, and finally, those you are anticipating to undertake in the future.

Interviewee: Right.

Researcher: And all the questions are with respect to being a franchisee within [Franchise Organisation A]. Since you've been a franchisee, what entrepreneurial activities have you undertaken in the past?

Interviewee: Since I've been a franchisee, nothing.

Researcher: You've not introduced any new services?

Interviewee: No.

Researcher: New sources of supply?

Interviewee: No, because I can't, there is nothing to introduce.

Researcher: What problems are you encountering?

Interviewee: Apathy, apathy on the part of the commercial world. The law exists, the law is there but no one is enforcing it. Health and Safety aren't bothered, you can buy and sell a

business without an asbestos register, you just don't need it. So, why should I buy one. So, yes, just apathy on the part of the commercial sector.

Researcher: How are you overcoming these problems?

Interviewee: I can't overcome the problem. I've accepted I've made a mistake.

Researcher: Do you think you are getting sufficient help from your franchisor?

Interviewee: There is no help from the franchisor because he knew it and he can't, therefore he can't give any help. If there is no business he can't open the drawer and pass you some. There is no business full stop. Therefore, he can't do anything. So, no, there is no help.

Researcher: You might have touched on this question earlier, what were the factors that motivated you to become a franchisee?

Interviewee: I have all my working life, well almost all my working life, worked for myself. Therefore, I am unemployable; I could not have a boss. Therefore, I have to do something on my own. To start a business, to build it up you can't do in a short space of time, that was why I bought a franchise because I considered the business was there, and I just buy into it. So that was why I bought a franchise. Because, I mean, I am 57, I do not intend working past 60. So, I've only got a few years, 3 years; can you start a business, make a profit while we are talking 3 years? Whereas a franchise, you could buy a 3 years license, well, I bought a 5 actually, you could buy a 5 years license, emm, and that's it, and then you can sell it at the end. Emm, so that's why I bought a franchise.

Researcher: So, are you thinking of selling it later on?

Interviewee: There is nothing to sell, no, I am too honest I could not sell nothing.

Researcher: How are you planning to recover something back from the franchisor since you have nothing to sell at the end of the day?

Interviewee: Yeah, I cannot, I cannot recover all of the money that I've spent. I can earn 100, 200 pounds a week if I'm lucky. But, I think now, with the amount of franchisees that have gone, and the awareness, and the output from those that remain, the franchisor will not be able to continue because his source of income has been reduced. The six that went were the high earners, so if 25 percent of your business goes and that 25 percent are people that earn most of the money, the income into the franchise is probably reduced by 35 maybe 40 percent. They cannot live. So, it won't survive, I don't think.

Researcher: Do you think they got something back, the people that left?

Interviewee: No, no one has. Lola, if someone says to you, I have this really easy job that you can go to wearing your tie, it's interesting, it's worthwhile, it's helping the community, and you can earn six to seven hundred pounds a day, it sounds too good to be true. If it sounds too good to be true, it is.

Researcher: How did you hear about [Franchise Organisation A]?

Interviewee: In the franchise magazine.

Researcher: Did you visit any of the franchise exhibitions?

Interviewee: Yes.

Researcher: Which one?

Interviewee: NEC.

Researcher: What year?

Interviewee: 2004.

Researcher: Did you make up your mind at the exhibition that you were actually going to go for [Franchise A]?

Interviewee: No, I read the advertisement, I sent for the brochure. I read the brochure, I wrote myself series of questions about what I was buying, I made an appointment to go to their head office and meet the directors to answer my questions, which they did. I virtually made up my mind. It happened that there was an exhibition taking place at that time. I went along just to meet some of the franchisees, which I did. But I had more, or less, made my mind up anyway. So, you could say I was 95 percent, 100 percent, after going to the exhibition.

Researcher: Did you consider any other franchise system?

Interviewee: Yes, I did. They were building orientated, yes. The other one I considered was Concept, who acts as a middleman for an insurance. Again, if you had a flood in your house and the ceiling is falling down and you panic, you don't know what to do, you contact Concept who would come in, clear up the mess, organise builders, do all of the work, get the money out of the insurance company who covers their fee. So, I did consider doing that because that's what I've been doing all my life, managing building works. But, I felt that I was just swapping these pressures that I had, for similar pressures. So, this was a lot more attractive because I was the sole employee. And, therefore, I only have myself to control, which was easy.

Researcher: Are you happy being a franchisee?

Interviewee: I am extremely happy because I have a wonderful life, nothing will make me unhappy. I'm I frustrated by being conned? I use this word again, yes, and I would like to make it my mission to make them suffer some hell, underlined. Yes, through legal means, yes.

Researcher: Would you recommend franchising to someone else?

Interviewee: It depends what you want out of life, Lola. I mean, you can have a machine that dispenses chocolates in the forecourt of a cinema, and all you have to do is go and put the chocolate in. If that's what you want to do for a living, yes, it's a super job. So, there is nothing wrong with it just because I found a bad one, there is nothing wrong with the concept.

Researcher: There is this general debate that franchisors are entrepreneurs and franchisees are not.

Interviewee: That's true, yeah.

Researcher: You have talked about similar issues already. But what I found from some of the interviews that I've conducted with some franchisees, from other systems, is that, some of them regard themselves as entrepreneurs. The interviews have also suggested that there are different ways in which you could embark on innovative ideas as a franchisee.

Interviewee: Yes, because you are talking about the whole system. But I can only talk about my system. And my system, there is nothing you can do, if you have an asbestos survey that's it, there is nothing you can do about it. You cannot, so, I'm sure some are entrepreneurial and can find new market places. Emm, if for example, I've just given you looking after vending machines, you could say I went to a football match at the weekend, there were no vending machines there, why don't you use that as a market place? You could suggest that you could. I can't do that, there is only one market place to commercial sector. It's global, no matter what industry is in that commercial market place, there is just that one market place, and since the market place doesn't want what you are selling, doesn't need what you are selling, you are not going to sell it.

Researcher: So, if you were to contribute to the debate on whether or not franchisees are entrepreneurs, would you say it depends on their organisation?

Interviewee: It depends on the organisation, and I would say it is 75/25 split, 75 percent – no, 25 percent – yes.

Researcher: Did you join the organisation a year ago?

Interviewee: 15 months ago.

Researcher: With regards to the work that you've done since you joined the organisation, what were the outcomes?

Interviewee: The outcome of the work that I've done?

Researcher: Yes, for you personally.

Interviewee: I've thoroughly enjoyed it. I would say it's an absolutely first class job, wonderful. Again, I love to travel, so I get to travel. When we've finished, today I'm going to Coventry. You get to meet interesting people, I mean, you run out of things to say to your wife. You know, interesting people. I can offer help to people because that's the sort of person I am, but I'm not supposed to do. Emm, you get the opportunity to help, you do provide the service, and hopefully, you get paid for it. I've not seen any money for many months. Yes, lovely job, I've gained a lot from it.

Researcher: What would you say are the outcomes for the head office?

Interviewee: They would fail. They have to, Lola. They have to fail.

Researcher: Apart from the fact that the franchise concept limits entrepreneurial activities, as you said, what other factors hinder you personally from engaging in entrepreneurial activities?

Interviewee: I, ok. What stops me from getting involved in entrepreneurial activities are the rules set out by the franchise in the first place, which tells me what I can and can't do. And secondly, my reluctance to move into other avenues within my franchise, and the only other avenues are, if I've told you that you have asbestos and I've told you where it is, the only other thing you can do is to take it away, take that problem away, which makes me become a remover. I'm not a physical workman, I do not do it, therefore, I don't want to do it. If I paid someone to remove it, it has to be carted away; do I want to become a haulage contractor? No I don't, I would have become a courier if I wanted to do that. So, it's reluctance on my part to enter the only other avenues that are available. I don't mean that I'm a lazy man. I mean I am not a workman. I've never been a workman, I don't intend to be a workman. There is another avenue that I haven't mentioned. If we found the ceiling again contained asbestos, it would cost many, many thousands of pounds to have it removed, even a small sitting room like that, which frightens people to death. What you can do is called encapsulation, where you can paint over a specific material on there, which enters the board, seals it and stops any fibres being given off. That is another job that some of the six that have left have entered into. But again, I don't want to be a painter. I would be a painter, if I wanted to be a painter. So, there are avenues, I know about them, but it is my desire not to get involved in them that stops me being entrepreneurial on those points.

Researcher: Are you undertaking any entrepreneurial activities presently?

Interviewee: No.

Researcher: Are you planning to undertake any entrepreneurial activities in the future?

Interviewee: No.

Researcher: What problems are you encountering presently within your outlet? Are they similar to the problems you encountered in the past with respect to not getting enough work?

Interviewee: The problem is there is insufficient work, full stop, yes. So, there was no work of the type that I bought into. Of the new type of work that we are doing, there is insufficient. Because, don't forget, there are other asbestos sampling companies around the country. It's not that [Franchise Organisation A] has a monopoly. They are just one particular company.

And as their name spreads throughout the industry, which is like wild fire, then, less and less people are gonna come to them.

Researcher: But do you think those other asbestos sampling companies have been successful?

Interviewee: I don't know how successful they are. I would say they are successful to a point. There is no market leader, there is no one who is a shining beacon. I've contacted them all, and said, do you want to employ someone on a part time basis, or casual basis. And they have taken my name and address, and said, if ever we get busy we would contact you. But, they never have. So, I presume from that, not that I fail, but they haven't had sufficient work. They have got enough to keep their own men busy, but they don't have anything extra that they need to, they press on with. So, I would say they are not getting that much work either. But, they are probably successful in their own right.

Researcher: Their mode of operation, is it quite similar to how you operate within [Franchise Organisation A]?

Interviewee: Yes.

Researcher: The other questions would not be applicable to you.

Interviewee: Ok.

Researcher: Are there any other issues that you would like to tell me about with respect to franchising generally?

Interviewee: No, because I'm quite new to it, and I am jaundiced in my view on it. I was just interested to know, and I just made a few notes before you came, who will read your project and why would they want to read your project, and who will benefit from your project?

Researcher: Ok, who will read the project? This is an academic work, and I contacted the British Franchise Association to obtain permission in order to survey the franchisors at the National Franchise Exhibition.

Interviewee: Who, no power, and no reason to be here. Because they insist [Franchise Organisation A] wanted to be 'franchisor of the year'. I mean, that's arrogance for you, isn't it? And why don't the British Franchise Association vet them. Why don't they say, the British Franchise Association say that they only endorse people who have piloted and shown that there is a business, and that business is suitable for passing on to others to run. Why haven't they not done anything about that. They have, they have an arbitration system, where if you have a problem they will arbitrate. We, as a group, put our case to them, and said, you should take action against [Franchise Organisation A]. They didn't want to hear us and talk to us. They have proved no help to us. So, what use is the British Franchise Association?

Researcher: But are you sure that [Franchise Organisation A] is a member of the British Franchise Association?

Interviewee: It is provisional.

Researcher: Because I'm quite surprised with the fact that you said [Franchise Organisation A] didn't have any pilot operation at all. That's quite surprising, because to my knowledge before you can be a member of the British Franchise Association, you should have had a pilot operation for a certain period of time.

Interviewee: It depends on what you mean by piloted. What [Franchise Organisation A] did, they employed two men and they still employ two men. And those two men did the surveys. Those two men are directly employed. [Franchise Organisation A] has a huge telemarketing organisation. It has a wide range of directors, none of which could be supported solely from the two working men. They need franchisees to be pumping money back in, in terms of commission to pay for all of that. But what's happening is they are using all of that organisation just to get sufficient work for the two men, and keeps those two men in operation

at our expense. If they can find a job in Derbyshire, which should come to me, because that's what my contract said, they would give it to their own men first.

Researcher: In Derbyshire?

Interviewee: Oh yeah! They would take my work off me to keep their own men going. So, yes it was piloted, meaning they know that the men can go out and do surveys. But, it wasn't piloted from the franchisee's point of view, that there is sufficient work and sufficient area to sustain a living. So, it was not piloted to suit franchisees.

Researcher: So, in terms of answering your question that who would read the project, I would send the findings of the study to the franchisors who participated in the study. But as I said, your responses would be anonymous.

Interviewee: I don't mind. I would talk to anyone.

Researcher: So, some of the franchisors may want to use the findings to improve their systems. For instance, you mentioned that the six franchisees had to leave because they were not allowed to engage in certain creative activities that could increase the organisation's revenues.

Interviewee: Right, we need to expand on that a bit then. The six people who have been earning money outside from their own entrepreneurial skills were offered the opportunity, in fact, were told that they should pass all earnings through the company, and pay 15 percent on it. Now, when we bought the franchise we went on a four week training course, and once we were being trained we were told, if you are asked to remove, if you are asked to encapsulate, if you are asked to transport, we want to know nothing about it. That's not what we do. We are asbestos surveyors. So, if you do it, you do it outside of the group. Fine, so, they did it outside of the group. Because the group is now losing money, it said, ha, we have changed our mind, now we think we would like all your earnings to come through us because we need to increase our takings. So they, the franchisees said why should we? We found this work, you didn't want to play, you didn't help us, we found it, we are doing it, we are not going to give you 15 percent of what we have done. So, they left rather than give 15 percent to the group. So, yes, the group didn't want it, they wanted it when they saw it is a revenue stream. But they didn't prevent the six from doing it within the organisation. They wanted them to, they would have encouraged it, it was just that the franchisees said, no, we are not giving you, and went.

Researcher: So, in that case, your head office may want to adjust their contract terms.

Interviewee: Yeah, I think they have to. They should have had a business plan. They should have planned their business, and piloted it, and ironed out the wrinkles, and found out where the revenue streams were; and do they want to include those revenue streams, or they want to ignore them? And all that should have happened in the design period.

Researcher: It has also been suggested by some researchers that in order to survive within a competitive environment, franchisors have to encourage entrepreneurship, innovative activities. As you said, [Franchise Organisation A] is not the only asbestos surveying company in the country.

Interviewee: You might be wondering, Lola, the trouble is you've got too many small businesses within this franchise industry, haven't you? I've just washed my car as you saw, and I've got stone chips on it. So, you think of the franchise, Chips Away, what on earth can they do? What on earth can an entrepreneur do within that? Nothing. Because I get rid of chips on cars, end of story, there is nothing more. Yes, I know they can go to a garage, yes they can talk to the insurance company, yes you can talk to the RAC. But all that's within your regional package, there is nothing more you can do.

Researcher: It's interesting because while some of the franchisees within [Franchise Organisation A] may have thought that there is nothing more that they could do, those six franchisees that left still found new opportunities in the market.

Interviewee: Hmm, desperation isn't it?

Researcher: Yes.

Interviewee: Desperation, but it wasn't within the franchise that they bought. No, and it didn't help the franchise that they bought. In fact, it may have ruined things for the rest, for the franchise. Because, now, 25 percent of the people have gone, if the franchise can't survive and what's left, so it has ruined it. So, it didn't help the franchise. Did they? They just maybe helped themselves.

Researcher: Another aspect that I'm interested in is the issue of communication within your system. You said there is no annual conference at all, and it was the franchisees that actually came up with the forum.

Interviewee: Oh yes! Because it's all down to communications, it's come to one of our meetings, and say, guys, it isn't working, we may have made a mistake here, maybe the business wasn't as big as we thought. He is surrounded by 25 people who want to survive, and 25 good business brains can be brainstorming and come out with ways to go, and you research out there, you research that. Of course you could, but there is no communication in the franchise, it is what we do, this is what we bought. That's it. There is no room for development. No, there is no communication. Emm, six people left on April 30, we've not yet been notified who the six were. Of course, we know who they are. There is no mentoring, there is no training, there is no communication, no one asks me how I am. No, there is nothing, absolutely nothing, which is why we are so angry. And we feel that the whole thing was a fraud from the first place because there would have been machinery in place to deal with grievances and problems. And the fact that they weren't addressing them means they don't want to know about it, because they knew it wasn't going to work in the first place.

Researcher: Do you usually have a representative from the head office present at the forum?

Interviewee: No, not normally. Emm, we had the managing director come to one. Then, the managing director of the company, the managing director of the group of which [Franchise Organisation A] is part, came to our meeting, and said, we had made a lot of mistakes, we got things wrong, we are going to turn the business round. We gave him 3 months, till April 11 to sort it out.

Researcher: Just this year?

Interviewee: Yes. Part of his sorting out procedure was to appoint a managing director for [Franchise Organisation A], he joined, he told us what he was going to do, he was trained, and qualified in an American University, all he did was talk business big, which was not normal stuff, which was not getting things done. I mean, we are men of action, do it. Give me 40 words that tells me what you are going to do, just do it. And, he, in fact, has done nothing either. So, on April 3rd, we gave him from April 11th to April 30th to get his feet under the table and tell us what he was going to do. On April the 30th, he has done absolutely nothing, so that's when the split took place and some left. And of those that are left, I think 50 percent of those that are left are just like me, and we are here till it stops.

Researcher: Can I take more questions from you?

Interviewee: Emm, I think that's all, it's just those 3 questions. And have you spoken to any franchisees from [Franchise Organisation A], you haven't yet, are you going to? And I was just trying to help you because if it's someone who has gone, then they are not gonna give, well jaundiced, aren't we in our view, well, biased in your view; define what entrepreneur was, but you seem to have listened to my definition of an entrepreneur. Was that, how was that, was that pretty near?

Researcher: Yes, it was quite near.

Interviewee: And I said the business failed because it wasn't piloted, that there was no enforcement from Health and Safety Executive. I mean, why for God's sake, why, why bring a law in, and not enforce it? I was, I mean, I've carried out some surveys, very few, but I've carried out some, but I was on a nursing home which I feel very strongly about because my father was in a nursing home. He died in a nursing home and I admire those people for looking after our older generation. And I am concerned that a lot of them are old houses which are just being converted to nursing homes, and they do still contain a lot of asbestos containing materials. And if you've got frail people there with breathing difficulties, the last thing you want is exposure to asbestos. So, I was doing a survey in one, and there were two executives from Health and Safety, two officials doing the Health and Safety audit. So, I went to them, and I said, why aren't you asking me what I'm doing, why haven't you asked to see the asbestos register, why are you ignoring it? Why would I bother, because, emm, the law was brought in and we found there wasn't as much asbestos. We were told there were 2 million tonnes of asbestos still in the country, we found that there is no where near the amount of asbestos in the country that we thought, so we are not bothered with it now. And that's the Health and Safety. If they are preaching that, it's never isn't going to be enforced, is it?

Researcher: I would have thought that perhaps a solution to the problem you are facing is to get the Health and Safety to enforce the law, but with the point you have just raised, that doesn't seem feasible.

Interviewee: They are not bothered. See, the other one was to lobby the insurance, and because if someone was exposed to asbestos they would sue, and so, the building owner would say, but sorry you are suing me but I've got employers liability insurance, I'll pass it on to the insurers. So, if you are the insurers are you going to keep picking up all these bills? Emm, and the insurance company would start to take an interest. But now, the government, there is a paper passed, was it last week? That they have limited the claim now to 15,000 pounds per employer. So, they said, hey! the risk is so manageable now, we are not bothered. So, insurance companies aren't bothered. So that's what I'm saying, apathy, no one is bothered. Health and Safety aren't bothered, insurers aren't bothered, solicitors aren't bothered because if you buy and sell a business it says, has this property the benefit of an asbestos register? Tick boxes, yes or no. I've just sold my factory, well you guys sold my factory, and I put no, it doesn't stop you selling your business. So, why do you need the register?

Researcher: What would you recommend as solutions to the problems that [Franchise Organisation A] is facing?

Interviewee: [Franchise Organisation A] would forget their arrogance, that they would come to us, and say, we got it wrong. We would forget our hatred of them, and we would go with an open mind and sit round a big table, and we'll say what's the way forward. But it never happened, it won't happen now, and it's down to the monitory thing. But we know that [Franchise Organisation A's] overhead is 500,000 pounds a year. Emm, and so, if my earnings this year are 8 to 10,000, and emm, I am one of 20, that's 20 x 8, which is 160,000 pounds, of which 15 percent is your commission, that doesn't go a long way towards 500,000 pounds, does it? So, they have haemorrhaged in, they just cannot, so why do they keep taking, they have just taken on two more members of staff. If your workforce is diminishing, why do you need more people to look after them? It's like being on a cruise, we've got one member of staff per franchisee. So, there is no sense, it will just, I mean it's too late now.

Researcher: Thank you very much for your time.

Interviewee: You are welcome. I've enjoyed it, it's nice to get something off your chest. But, I'm sure there are some very, very good franchises. I'm sure there are some very, very good franchisors, each franchise operation has a different mandate, and yet some will flourish with entrepreneurs, some will say, no we don't want entrepreneurs, we've got this very rigid

system, and you will follow it, that way we can guarantee you will be a success because we know our system works. So, if you follow to the latter our system, you will be a success. That's why buy a franchise, isn't it? But there is so much difference across the board. But I think if you are an entrepreneur, whether you know you are, or you just are, you don't know it, you would have done your own business, you wouldn't have bought a franchise, isn't it?

Researcher: Franchisors obviously wouldn't want people that would destroy their systems, so they would say, operate with respect to this standardised format. But it may be worthwhile if there is at least some flexibility so that franchisees could come up with innovative and entrepreneurial ideas.

Interviewee: Oh yeah! I mean, the company that I started 20 years ago, the company that I started, because the market place changed, don't forget that I worked for Waterstones, and Waterstones nearly folded because of Amazon, so you don't need to go to Waterstones, do you? I mean, we use to do all of Sainsbury's work, emm, I suppose you can remember the Homecare that Sainsbury's bought, became Homebase. But see all of those, and we moved to the little shop then, Tesco's Express, emm. But you've got to keep changing and moving with the industry as it changes.

Researcher: Later in the year I would send you a copy of the transcript of the interview.

Interviewee: Lovely.

Researcher: Please let me know if you have any comments on the transcript. Thank you very much and I wish you all the best with the franchise.